

Legislative Audit Division

State of Montana



Report to the Legislature

March 2001

Financial Audit

For the Fiscal Year Ended June 30, 2000

State of Montana

General Purpose Financial Statements

We performed a financial audit of the General Purpose Financial Statements of the state of Montana for the fiscal year ended June 30, 2000. This report contains the General Purpose Financial Statements of the state of Montana and accompanying notes for fiscal year 1999-00, which were prepared by the Department of Administration's Accounting and Management Support Division. We issued an unqualified opinion on these financial statements. The opinion means the reader can rely on the financial statement information presented.

STATE DOCUMENTS COLLECTION

2001

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

00-1

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.



FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if an agency's financial statements are presented fairly and the agency has complied with applicable laws and regulations that could have a direct and material affect on its financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996, and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Jim Elliott
Senator Ken Miller
Senator Linda Nelson
Senator Corey Stapleton
Senator Mike Taylor
Senator Jon Tester

Representative Bill Eggers
Representative Dick Haines
Representative Hal Jacobson
Representative Jeff Pattison
Representative Steve Vick
Representative David Wanzenried

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

March 2001

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our independent auditor's report on the general purpose financial statements of the state of Montana for the fiscal year ended June 30, 2000. The General Purpose Financial Statements were prepared by the Accounting and Management Support Division of the Department of Administration. We performed the audit to express an opinion on the state's general purpose financial statements. Any findings disclosed by our audit were discussed with appropriate management personnel and will be reported as part of our scheduled biennial audits of state agencies.

We include the general purpose financial statements and our opinion in the state's Single Audit Report. In accordance with Government Auditing Standards, we will issue a report on consideration of the state of Montana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, and grants which will also be included in the Single Audit Report.

The Independent Auditor's Report is on page A-1 followed by the financial statements and accompanying notes. We issued an unqualified opinion on the financial statements which means the reader can rely on the presented information. Department officials reviewed and agreed with the contents of this report.

For the past several years we have issued our report on the general purpose financial statements by the end of the calendar year. We were unable to issue our report for the fiscal year ended June 30, 2000 until March 2001 due to delays in preparation of the financial statements by the Department of Administration. We believe the primary reasons for the delay are related to implementing a new accounting system in fiscal year 1999-00 and significant turnover in personnel responsible for preparation of the financial statements.

All members of the financial-compliance audit staff contributed to this audit. We thank the director of the Department of Administration and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.
Scott A. Seacat
Legislative Auditor

Elected and Administrative Officials

State of Montana

Judy Martz, Governor

Department of Administration

Barbara Ranf, Director

Cathy Muri, CPA, Administrator
Accounting and Management Support Division

CAFR Preparers

Accounting Bureau

Paul Christofferson, CPA, Bureau Chief

Accounting Principles/Financial Reporting Section

Cathy Pennie, Accountant

Julie Feldman, Accountant

Matthew McBurnett, Accountant

Operating Section

Mark Curtis, Management Analyst

Linda Gaughan, Accountant Supervisor

Penny C. Killham, Accounting Technician

Management Support Bureau

Pat McNamee, CPA, Budget Analyst

For additional information on the general purpose financial statements
contact:

Cathy Muri, Administrator
Accounting and Management Support Division
Department of Administration
Room 176, Sam W. Mitchell Building
Helena MT 59620-0102
e-mail: cmuri@state.mt.us

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

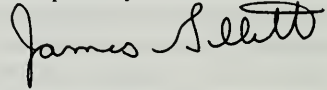
We have audited the accompanying Combined Balance Sheet All Fund Types, Account Groups and Discretely Presented Component Units; Combining Balance Sheet - Component Units - Proprietary Fund Types; Combining Statement of Plan Net Assets - Component Units - Pension Trust Funds; and Combining Balance Sheet - Component Units - All Higher Education Funds of the state of Montana as of June 30, 2000; the related Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds; Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance - General and Special Revenue Fund Types; Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units; Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Component Units - Proprietary Fund Types; Statement of Changes in Plan Net Assets - Investment Trust Fund; Combining Statement of Changes in Plan Net Assets - Component Units - Pension Trust Funds; Statement of Changes in Fund Balance - Component Units - All Higher Education Funds; Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes - Component Units - Higher Education Fund Type; and the related Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units and Combining Statement of Cash Flows - Component Units - Proprietary Fund Types for the year then ended. These general purpose financial statements are the responsibility of the state of Montana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Montana State Lottery, which statements reflect total assets of 7.97 percent, liabilities of 10.01 percent, and total revenues/transfers-in and expenses/transfers-out of 28.08 percent and 30.38 percent, respectively, in the Enterprise Fund. This financial activity was audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montana State Lottery, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana as of June 30, 2000, and the results of its operations, the cash flows of its proprietary and nonexpendable trust fund types and discretely presented component units, the changes in plan net assets of the investment trust fund, and its component unit pension trust funds and the changes in fund balance and current funds revenues, expenditures, transfers and other changes of the component unit higher education funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will issue our report dated March 19, 2001, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report will be included in the state's Single Audit Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "Gillett".

James Gillett, CPA
Deputy Legislative Auditor

March 19, 2001

STATE OF MONTANA
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2000
(Expressed in Thousands)

| | Governmental Fund Types | | | | Proprietary Fund Types | |
|--|-------------------------|-------------------|------------------|------------------|------------------------|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service |
| Assets/Other Debits | | | | | | |
| Assets: | | | | | | |
| Cash/Cash Equivalents (Note 4) | \$ 134,027 | \$ 248,873 | \$ 31,001 | \$ 53,740 | \$ 18,379 | \$ 19,179 |
| Receivables (Net of Uncollectibles) | 91,006 | 76,463 | 1,356 | 1,030 | 16,115 | 1,731 |
| Interfund Loans Receivable (Note 13) | 70,418 | 25,254 | - | - | 313 | 137 |
| Due from Other Governments | 6,702 | 128,672 | - | - | - | 5 |
| Due from Primary Government (Note 13) | - | - | - | - | - | - |
| Due from Component Units (Note 13) | 774 | 955 | - | 45 | 79 | 964 |
| Due from Other Funds (Note 13) | 33,871 | 17,754 | 100 | 1,007 | 767 | 7,986 |
| Inventories | 3,703 | 28,074 | - | - | 6,589 | 822 |
| Equity in Pooled Investments (Note 4) | - | 123,879 | - | - | - | - |
| Long-Term Loans/Notes Receivable | - | 79,430 | 33,250 | - | 57,581 | - |
| Advances to Other Funds (Note 13) | - | 615 | - | - | - | - |
| Investments (Note 4) | - | 97,822 | 4,165 | - | 10,244 | 26,613 |
| Securities Lending Collateral (Note 4) | - | 22,513 | 1,674 | 2 | 1,735 | 1,219 |
| Land | - | - | - | - | 800 | 236 |
| Buildings/Improvements | - | - | - | - | 5,873 | - |
| Equipment | - | - | - | - | 6,727 | 136,307 |
| Other Fixed Assets | - | - | - | - | 1,147 | - |
| Construction in Progress | - | - | - | - | - | 5,257 |
| Accumulated Depreciation | - | - | - | - | (6,491) | (75,911) |
| Intangible Assets | - | - | - | - | 1,132 | 490 |
| Deferred Charges | - | - | - | - | 851 | - |
| Other Assets | 8,354 | 2,550 | - | 16 | 2,216 | 219 |
| Other Debits: | | | | | | |
| Amount Available - Debt Service Funds | - | - | - | - | - | - |
| Resources to be Provided in Future Years | - | - | - | - | - | - |
| Total Assets/Other Debits | \$ 348,855 | \$ 852,854 | \$ 71,546 | \$ 55,840 | \$ 124,057 | \$ 125,254 |

The notes to the financial statements are an integral part of this statement.

| Fiduciary Fund Types | Account Groups | | Component Units | | | | |
|-------------------------|-----------------|--------------------------|-----------------|---------------|---------------|----------------|--------------------|
| | General | General | Special | Trust | Proprietary | Pension | Higher |
| Trust and Agency | Fixed Assets | Long-Term Obligations | | and Agency | Fund Types | Trust Funds | Education Funds |
| \$ 845,338 | \$ - | - | \$ 1 | \$ 2,110 | \$ 42,713 | \$ 127,492 | \$ 94,764 |
| 107,261 | - | - | - | 411 | 30,279 | 31,794 | 57,434 |
| 409 | - | - | - | - | - | - | 26,515 |
| 75 | - | - | - | - | - | - | 6,390 |
| - | - | - | - | 502 | 14 | 11,560 | 2,453 |
| 315 | - | - | - | - | - | - | - |
| 20,267 | - | - | - | 40 | 488 | 633 | 28,332 |
| - | - | - | - | - | 27 | - | 3,827 |
| 910,336 | - | - | - | 63,184 | - | 5,182,697 | 3,566 |
| 2,882 | - | - | 1,500 | - | 547,427 | 636 | - |
| 30 | - | - | - | - | - | - | 230 |
| 145,890 | - | - | - | 135,232 | 709,800 | 524,084 | 3,906 |
| 138,620 | - | - | - | 9,553 | 106,432 | 407,076 | 296 |
| 51,260 | 66,267 | - | - | - | - | 60 | 13,728 |
| - | 386,289 | - | - | - | - | 435 | 526,955 |
| - | 64,479 | - | - | - | 2,744 | 152 | 111,224 |
| - | 65,159 | - | - | - | - | - | 91,274 |
| - | 67,516 | - | - | - | - | - | 30,388 |
| - | - | - | - | - | (1,508) | (399) | - |
| - | - | - | - | - | 7,375 | 2,666 | 3,477 |
| - | - | - | - | - | 6,754 | - | 2,150 |
| 18,273 | - | - | - | - | 581 | - | 6,484 |
| - | - | 44,416 | - | - | - | - | - |
| - | - | 390,080 | - | - | - | - | - |
| \$ 2,240,956 | \$ 649,710 | \$ 434,496 | 1,501 | 211,032 | \$ 1,453,126 | \$ 6,288,886 | \$ 1,013,393 |

(Continued on Next Page)

STATE OF MONTANA
COMBINED BALANCE SHEET - Continued
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2000
(Expressed in Thousands)

| | Governmental Fund Types | | | | Proprietary Fund Types | |
|---|-------------------------|-------------------|------------------|------------------|------------------------|------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service |
| Liabilities/Equity/Other Credits | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 99,135 | \$ 140,004 | \$ 1,085 | \$ 3,706 | \$ 5,477 | \$ 6,748 |
| Lottery Prizes Payable | - | - | - | - | 2,964 | - |
| Interfund Loans Payable (Note 13) | - | 90,433 | - | 1,666 | 305 | 2,283 |
| Advances from Other Funds (Note 13) | - | 196 | - | - | - | - |
| Due to Other Governments | - | 5,549 | - | - | 46 | - |
| Due to Primary Government (Note 13) | - | - | - | - | - | - |
| Due to Component Units (Note 13) | 11,501 | 2,003 | - | 20 | 9 | 37 |
| Due to Other Funds (Note 13) | 15,507 | 27,876 | 745 | 3,002 | 10,620 | 2,231 |
| Deferred Revenue | 35,231 | 30,654 | - | - | 2,703 | 248 |
| Lease/Installment Purchase Payable (Note 11) | - | - | - | - | - | 2,870 |
| Bonds/Notes Payable (Net) (Note 12) | - | - | - | - | 68,784 | 6,007 |
| Property Held in Trust | 241 | 1,327 | - | 117 | 97 | 40 |
| Securities Lending Liability (Note 4) | - | 22,513 | 1,674 | 2 | 1,735 | 1,219 |
| Compensated Absences Payable (Note 1) | - | - | - | - | 736 | 4,204 |
| Estimated Insurance Claims (Note 9) | - | - | - | - | 2,736 | 34,697 |
| Early Retirement Benefits Payable (Note 12) | - | - | - | - | - | - |
| Arbitrage Rebate Tax Payable | - | - | - | - | 213 | - |
| Other Liabilities | 456 | 47 | - | - | - | 286 |
| Total Liabilities | 162,071 | 320,602 | 3,504 | 8,513 | 96,425 | 60,870 |
| Equity/Other Credits: | | | | | | |
| Investment in General Fixed/Plant Assets | - | - | - | - | - | - |
| Contributed Capital (Note 17) | - | - | - | - | 4,927 | 12,244 |
| Retained Earnings: | | | | | | |
| Reserved for Debt Service | - | - | - | - | - | - |
| Unreserved | - | - | - | - | 22,705 | 52,140 |
| Fund Balances: | | | | | | |
| Reserved for Encumbrances | 7,081 | 41,328 | - | 912 | - | - |
| Reserved for Inventories | 3,703 | 23,255 | - | - | - | - |
| Reserved for Long-Term Loans | - | 79,430 | 33,250 | - | - | - |
| Reserved for Long-Term Advances (Note 13) | - | 615 | - | - | - | - |
| Reserved for Debt Service | - | - | 6,248 | - | - | - |
| Reserved for Trusts/Endowments (Note 15) | - | 6,622 | - | - | - | - |
| Reserved for Construction | - | - | - | - | - | - |
| Reserved for Pool Participants | - | - | - | - | - | - |
| Reserved for Employee Pension Benefits | - | - | - | - | - | - |
| Unreserved, Designated (Note 1) | 30,000 | 175 | 28,544 | - | - | - |
| Unreserved, Undesignated | 146,000 | 380,827 | - | 46,415 | - | - |
| Total Equity/Other Credits | 186,784 | 532,252 | 68,042 | 47,327 | 27,632 | 64,384 |
| Total Liabilities/Equity/Other Credits | \$ 348,855 | \$ 852,854 | \$ 71,546 | \$ 55,840 | \$ 124,057 | 125,254 |

The notes to the financial statements are an integral part of this statement.

| Fiduciary Fund Types | Account Groups | | Component Units | | | | |
|-------------------------|----------------------------|-------------------------------------|--------------------|------------------------|------------------------------|--------------------------|------------------------------|
| Trust and Agency | General Fixed Assets | General Long-Term Obligations | Special Revenue | Trust and Agency | Proprietary Fund Types | Pension Trust Fund | Higher Education Funds |
| \$ 11,505 | \$ - | \$ - | \$ - | 7 \$ | 7,691 \$ | 1,538 \$ | 14,592 |
| - | - | - | - | - | - | - | - |
| 142 | - | - | - | 2,150 | - | - | 26,515 |
| - | - | - | - | - | - | - | 231 |
| - | - | - | - | - | - | (1) | 5,487 |
| - | - | - | - | - | 820 | 68 | 2,244 |
| 960 | - | - | - | - | - | - | - |
| 21,534 | - | - | - | 20 | 936 | 259 | 28,515 |
| 29 | - | - | - | - | 15,249 | 215 | 10,084 |
| - | - | 3,001 | - | - | 42 | 2,159 | 1,386 |
| - | - | 374,623 | - | - | 622,576 | 430 | 223,578 |
| 246,292 | - | - | - | - | 1,000 | 11 | 4,880 |
| 138,620 | - | - | - | 9,553 | 106,432 | 407,075 | 296 |
| - | - | 55,620 | - | - | 1,062 | 260 | 33,897 |
| - | - | - | - | - | 432,845 | - | - |
| - | - | 227 | - | - | - | - | 38 |
| - | - | 1,025 | - | - | 227 | - | - |
| 2,371 | - | - | - | - | - | - | - |
| 421,453 | - | 434,496 | - | 11,730 | 1,188,880 | 412,014 | 351,743 |
| - | 649,710 | - | - | - | - | - | 554,399 |
| - | - | - | - | - | 154,468 | - | - |
| - | - | - | - | - | 104,489 | - | - |
| - | - | - | - | - | 5,289 | - | - |
| - | - | - | - | - | - | - | 900 |
| - | - | - | - | - | - | - | - |
| 2,875 | - | - | 1,501 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 1,047 |
| 1,138,716 | - | - | - | 199,302 | - | - | 36,349 |
| - | - | - | - | - | - | - | 6,207 |
| 481,727 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 5,876,872 | - |
| - | - | - | - | - | - | - | - |
| 196,185 | - | - | - | - | - | - | 62,748 |
| 1,819,503 | 649,710 | - | 1,501 | 199,302 | 264,246 | 5,876,872 | 661,650 |
| \$ 2,240,956 | \$ 649,710 | \$ 434,496 | 1,501 | 211,032 \$ | 1,453,126 \$ | 6,288,886 \$ | 1,013,393 |

STATE OF MONTANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Governmental Fund Types | | | |
|--|-------------------------|-------------------|------------------|------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Revenues: | | | | |
| Licenses/Permits | \$ 29,030 | \$ 96,752 | \$ - | - |
| Taxes: | | | | |
| Natural Resource | 23,800 | 38,057 | 301 | 3,788 |
| Individual Income | 514,142 | - | - | - |
| Corporate Income | 90,940 | 8,406 | - | - |
| Property | 192,687 | 8,496 | - | - |
| Fuel | - | 189,247 | - | - |
| Other (Note 1) | 103,082 | 69,839 | - | 1,837 |
| Charges for Services/Fines/Forfeits/Settlements | 62,854 | 237,749 | 1,346 | 73 |
| Investment Earnings | 15,953 | 15,035 | 5,948 | 844 |
| Securities Lending Income | 3,344 | 1,478 | 129 | 40 |
| Sale of Documents/Merchandise/Property | 1,584 | 5,473 | 2,601 | - |
| Rentals/Leases/Royalties | 64 | 423 | - | - |
| Contributions/Premiums | - | 5,301 | - | - |
| Grants/Contracts/Donations | 1,887 | 12,074 | - | - |
| Federal | 14,955 | 1,063,372 | 128 | - |
| Federal Indirect Cost Recoveries | 70 | 2,021 | - | - |
| Other Revenues | 702 | 1,944 | - | - |
| Total Revenues | 1,055,094 | 1,755,667 | 10,453 | 6,582 |
| Intrafund Revenues | (726) | (5,933) | - | - |
| Net Revenues | 1,054,368 | 1,749,734 | 10,453 | 6,582 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 77,064 | 66,111 | 51 | 11,106 |
| Public Safety/Corrections | 117,444 | 83,129 | - | 3,220 |
| Transportation | 417 | 441,794 | - | - |
| Health/Social Services | 234,880 | 654,600 | - | - |
| Education/Cultural | 504,002 | 118,103 | - | - |
| Resource Development/Recreation | 20,317 | 66,807 | 1 | 18 |
| Economic Development/Assistance | 17,496 | 106,047 | - | 360 |
| Debt Service: | | | | |
| Principal Retirement | 685 | 2,672 | 28,604 | - |
| Interest/Fiscal Charges | 85 | 396 | 16,894 | 5 |
| Capital Outlay | 3,592 | 32,835 | - | 39,959 |
| Securities Lending | 3,208 | 1,424 | 125 | 38 |
| Total Expenditures | 979,190 | 1,573,918 | 45,675 | 54,706 |
| Intrafund Expenditures | (726) | (5,933) | - | - |
| Net Expenditures | 978,464 | 1,567,985 | 45,675 | 54,706 |
| Excess of Revenue Over (Under) Expenditures | 75,904 | 181,749 | (35,222) | (48,124) |
| Other Financing Sources (Uses): | | | | |
| Loan Proceeds | 320 | 1,383 | - | - |
| Bond Proceeds | - | 7,609 | 35 | 35,195 |
| Inception of Lease/Installment Contract | 378 | 469 | - | - |
| General Fixed Asset Sale Proceeds | 41 | 31 | - | - |
| Operating Transfers In (Note 13) | 107,270 | 45,876 | 33,966 | 10,069 |
| Transfers from Component Units (Note 13) | - | 582 | 11 | - |
| Operating Transfers Out (Note 13) | (15,577) | (49,265) | (1,451) | (4,444) |
| Transfers to Component Units (Note 13) | (110,608) | (14,879) | - | - |
| Total Other Financing Sources (Uses) | (18,176) | (8,194) | 32,561 | 40,820 |
| Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses | 57,728 | 173,555 | (2,661) | (7,304) |
| Fund Balances - July 1 - As Previously Reported | 130,025 | 356,021 | 70,751 | 54,631 |
| Prior Period Adjustments (Note 3) | (1,716) | (593) | (21) | - |
| Fund Balances - July 1 - As Restated | 128,309 | 355,428 | 70,730 | 54,631 |
| Increase (Decrease) in Inventories | 519 | 540 | - | - |
| Residual Equity Transfers (Note 13) | 228 | 2,729 | (27) | - |
| Fund Balances - June 30 | \$ 186,784 | \$ 532,252 | \$ 68,042 | \$ 47,327 |

The notes to the financial statements are an integral part of this statement.

| Fiduciary Fund Type | Component Unit | |
|------------------------|-------------------------|---------------------|
| | Governmental Fund Types | |
| Expendable Trust | Special Revenue | Expendable Trust |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | 371 |
| 12,187 | 1 | 14,744 |
| 167 | - | 553 |
| 26 | - | - |
| - | - | - |
| 61,018 | - | 12,294 |
| 879 | 1,500 | - |
| 4,070 | - | - |
| - | - | - |
| - | - | - |
| 78,347 | 1,501 | 27,962 |
| - | - | - |
| 78,347 | 1,501 | 27,962 |
| 20 | - | 8,067 |
| - | - | - |
| 288 | - | - |
| - | - | - |
| 144 | - | - |
| 417 | - | - |
| 59,468 | - | - |
| - | - | - |
| - | - | - |
| 31 | - | - |
| 160 | - | 536 |
| 60,528 | - | 8,603 |
| - | - | - |
| 60,528 | - | 8,603 |
| 17,819 | 1,501 | 19,359 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 2,365 | - | - |
| - | - | - |
| (351) | - | - |
| - | - | - |
| 2,014 | - | - |
| 19,833 | 1,501 | 19,359 |
| 171,216 | - | 179,924 |
| 8,638 | - | 17 |
| 179,854 | - | 179,941 |
| - | - | - |
| (627) | - | 1 |
| \$ 199,060 | 1,501 | 199,301 |

STATE OF MONTANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND
 RECONCILIATION OF BUDGET AND ACTUAL (BUDGETARY BASIS) TO GAAP BASIS - UNRESERVED FUND BALANCE
 GENERAL AND SPECIAL REVENUE FUND TYPES
 For the Fiscal Year Ended June 30, 2000
 (Expressed in Thousands)

| | General Fund | | | Special Revenue Funds | | |
|---|--------------|------------|------------------------------------|-----------------------|------------|------------------------------------|
| | Budget | Actual | Variance - Favorable (Unfavorable) | Budget | Actual | Variance - Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Licenses/Permits | \$ 26,579 | \$ 29,043 | \$ 2,464 | \$ 96,580 | \$ 97,054 | \$ 474 |
| Taxes: | | | | | | |
| Natural Resource | 13,763 | 18,843 | 5,080 | 53,804 | 21,533 | (32,271) |
| Individual Income | 475,637 | 525,942 | 50,305 | - | - | - |
| Corporate Income | 95,101 | 91,366 | (3,735) | 8,892 | 8,406 | (486) |
| Property | 208,873 | 193,268 | (15,605) | 8,535 | 8,496 | (39) |
| Fuel | - | - | - | 180,893 | 170,677 | (10,216) |
| Payroll | - | - | - | - | - | - |
| Other | 111,162 | 98,996 | (12,166) | 68,106 | 69,791 | 1,685 |
| Charges for Services/Fines/Forfeits/Settlements | 41,829 | 62,572 | 20,743 | 93,133 | 81,092 | (12,041) |
| Investment Earnings | 20,641 | 15,953 | (4,688) | 7,234 | 6,644 | (590) |
| Sale of Documents/Merchandise/Property | 251 | 1,588 | 1,337 | 6,497 | 5,479 | (1,018) |
| Rentals/Leases/Royalties | 91 | 48 | (43) | 261 | 412 | 151 |
| Contributions/Premiums | - | - | - | 9,299 | 5,301 | (3,998) |
| Grants/Contracts/Donations | 1,497 | 1,813 | 316 | 14,899 | 7,696 | (7,203) |
| Federal | 18,742 | 16,167 | (2,575) | 1,194,291 | 1,014,992 | (179,299) |
| Federal Indirect Cost Recoveries | 79 | 59 | (20) | 1,477 | 1,999 | 522 |
| Other Revenues | 547 | 229 | (318) | 2,451 | 1,371 | (1,080) |
| Total Revenues | 1,014,792 | 1,055,887 | 41,095 | 1,746,352 | 1,500,943 | (245,409) |
| Expenditures: | | | | | | |
| Current | | | | | | |
| General Government | 86,990 | 77,031 | 9,959 | 83,132 | 71,406 | 11,726 |
| Public Safety/Corrections | 120,501 | 118,335 | 2,166 | 134,233 | 83,446 | 50,787 |
| Transportation | 424 | 421 | 3 | 490,425 | 428,232 | 62,193 |
| Health/Social Services | 244,466 | 235,638 | 8,828 | 726,116 | 599,292 | 126,824 |
| Education/Cultural | 524,767 | 504,209 | 20,558 | 202,965 | 118,967 | 83,998 |
| Resource Development/Recreation | 22,747 | 22,502 | 245 | 96,936 | 64,040 | 32,896 |
| Economic Development/Assistance | 24,951 | 18,036 | 6,915 | 141,945 | 98,992 | 42,953 |
| Debt Service | | | | | | |
| Principal Retirement | 4,187 | 668 | 3,519 | 2,526 | 2,711 | (185) |
| Interest/Fiscal Charges | 85 | 85 | - | 398 | 398 | - |
| Capital Outlay | 2,155 | 2,341 | (186) | 35,530 | 32,406 | 3,124 |
| Total Expenditures | 1,031,273 | 979,266 | 52,007 | 1,914,206 | 1,499,890 | 414,316 |
| Excess of Revenues Over (Under) Expenditures | (16,481) | 76,621 | 93,102 | (167,854) | 1,053 | 168,907 |
| Other Financing Sources (Uses): | | | | | | |
| Loan Proceeds | - | 320 | 320 | 1,009 | 1,383 | 374 |
| Bond Proceeds | 500 | - | (500) | - | 6,546 | 6,546 |
| General Fixed Asset Sale Proceeds | 223 | 41 | (182) | 56 | 31 | (25) |
| Operating Transfers In | 98,722 | 101,081 | 2,359 | 63,834 | 39,874 | (23,960) |
| Operating Transfers Out | (19,736) | (11,832) | 7,904 | (61,169) | (46,255) | 14,914 |
| Transfers to Component Units | (110,112) | (110,608) | (496) | (14,879) | (14,879) | - |
| Total Other Financing Sources (Uses) | (30,403) | (20,998) | 9,405 | (11,149) | (13,300) | (2,151) |
| Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis) | (46,884) | 55,623 | 102,507 | (179,003) | (12,247) | 166,756 |
| Reconciliation of Budgetary/GAAP Reporting: | | | | | | |
| 1 Adjust Expenditures for Encumbrances | - | 4,602 | 4,602 | - | (19,833) | (19,833) |
| 2 Adjustments for Nonbudgeted Activity | - | (2,633) | (2,633) | - | 205,581 | 205,581 |
| 3 Intrafund Elimination - Revenues/Transfers In | - | (726) | (726) | - | (5,933) | (5,933) |
| 4 Intrafund Elimination - Expenditures/Transfers Out | - | 726 | 726 | - | 5,933 | 5,933 |
| 5 Securities Lending Income | - | 3,344 | 3,344 | - | 1,478 | 1,478 |
| 6 Securities Lending Costs | - | (3,208) | (3,208) | - | (1,424) | (1,424) |
| Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis) | (46,884) | 57,728 | 104,612 | (179,003) | 173,555 | 352,558 |
| Unreserved Fund Balances - July 1 | | 114,237 | | | 229,394 | |
| Residual Equity Transfers (Note 13) | - | 228 | 228 | - | 2,729 | 2,729 |
| Prior Period Adjustments (Note 3) | - | (1,716) | (1,716) | - | (593) | (593) |
| Decrease (Increase) | | | | | | |
| Encumbrances Reserve | - | (4,002) | (4,002) | - | (10,912) | (10,912) |
| Advances to Other Funds Reserve | - | 9,525 | 9,525 | - | (479) | (479) |
| Long-Term Loans Reserve | - | - | - | - | (23,208) | (23,208) |
| Trusts/Endowments/Fed Loans Reserve (Note 15) | - | - | - | - | 10,516 | 10,516 |
| Unreserved Fund Balances - June 30 | \$ (46,884) | \$ 176,000 | \$ 108,647 | \$ (179,003) | \$ 381,002 | \$ 330,611 |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
STATEMENT OF CHANGES IN PLAN NET ASSETS
INVESTMENT TRUST FUND
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | STIP Trust |
|--|-------------------|
| Additions: | |
| Contributions | \$ 795,244 |
| Net Investment Earnings: | |
| Investment Earnings | 22,883 |
| Securities Lending Income | 1,188 |
| Securities Lending Expense | (1,141) |
| Total Additions | <u>818,174</u> |
| Deductions: | |
| Local Government STIP Distributions | <u>805,233</u> |
| Net Increase (Decrease) | 12,941 |
| Net Assets Held in Trust for Pool Participants - July 1 | 468,786 |
| Net Assets Held in Trust for Pool Participants - June 30 | <u>\$ 481,727</u> |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Proprietary Fund Types | | Fiduciary Fund Type | Component Units |
|--|---------------------------|---------------------|------------------------|------------------------------|
| | Enterprise | Internal Service | Nonexpendable Trust | Proprietary Fund Types |
| Operating Revenues: | | | | |
| Charges for Services | \$ 82,358 | \$ 86,810 | \$ 10,554 | \$ 571 |
| Investment Earnings | 1,163 | 1,813 | 39,976 | 33,712 |
| Securities Lending Income | 116 | 321 | 8,207 | 5,825 |
| Financing Income | 3,763 | - | - | 34,902 |
| Contributions/Premiums | 8,294 | 87,962 | - | 70,657 |
| Grants/Contracts/Donations | 16 | - | 13 | - |
| Taxes | 11,861 | 2 | 17,940 | 1,893 |
| Rentals/Leases/Royalties | - | - | 26,453 | - |
| Other Operating Revenues | 212 | 2,768 | 33 | 33 |
| Total Operating Revenues | 107,783 | 179,676 | 103,176 | 147,593 |
| Intrafund Revenues | - | (444) | - | - |
| Net Operating Revenues | 107,783 | 179,232 | 103,176 | 147,593 |
| Operating Expenses: | | | | |
| Personal Services | 6,289 | 32,261 | - | 10,668 |
| Contractual Services | 6,284 | 14,777 | 4 | 8,460 |
| Supplies/Materials | 36,291 | 16,222 | - | 414 |
| Benefits/Claims (Note 3) | 8,358 | 101,075 | - | 69,749 |
| Depreciation | 883 | 8,979 | - | 309 |
| Amortization | 175 | 253 | - | 1,011 |
| Utilities/Rent | 513 | 7,541 | - | 214 |
| Communications | 989 | 11,083 | - | 875 |
| Travel | 176 | 410 | - | 246 |
| Repair/Maintenance | 423 | 5,637 | - | 598 |
| Grants | - | - | 13 | - |
| Local Assistance | - | 26 | - | - |
| Lottery Prize Payments | 15,575 | - | - | - |
| Interest Expense | 3,327 | 588 | - | 36,345 |
| Securities Lending Expense | 111 | 301 | 7,951 | 5,647 |
| Arbitrage Rebate Tax | 88 | - | - | 236 |
| Other Operating Expenses | 806 | 1,850 | 5 | 8,726 |
| Total Operating Expenses | 80,288 | 201,003 | 7,973 | 143,498 |
| Intrafund Expenses | - | (444) | - | - |
| Net Operating Expenses | 80,288 | 200,559 | 7,973 | 143,498 |
| Operating Income (Loss) | 27,495 | (21,327) | 95,203 | 4,095 |
| Nonoperating Revenues (Expenses): | | | | |
| Gain (Loss) Sale of Fixed Assets | (29) | 21 | - | (38) |
| Increase (Decrease) Value of Livestock | (332) | - | - | - |
| Federal Indirect Cost Recoveries | - | 2,767 | - | - |
| Total Nonoperating Revenues (Expenses) | (361) | 2,788 | - | (38) |
| Income (Loss) Before Operating Transfers | 27,134 | (18,539) | 95,203 | 4,057 |
| Operating Transfers In (Note 13) | 68 | 666 | 1,139 | - |
| Operating Transfers Out (Note 13) | (25,433) | (1,117) | (104,785) | - |
| Operating Transfers to Component Units (Note 13) | - | - | (2,286) | - |
| Net Income (Loss) | 1,769 | (18,990) | (10,729) | 4,057 |
| Retained Earnings/Fund Balances - July 1 | | | | |
| As Previously Reported | 27,661 | 69,352 | 1,143,393 | 105,697 |
| Prior Period Adjustments (Note 3) | 50 | 1,778 | 6,052 | 24 |
| Retained Earnings/Fund Balances - July 1 | 27,711 | 71,130 | 1,149,445 | 105,721 |
| Residual Equity Transfers (Note 13) | (6,775) | - | - | - |
| Retained Earnings/Fund Balances - June 30 | \$ 22,705 | \$ 52,140 | \$ 1,138,716 | \$ 109,778 |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2000
 (Expressed in Thousands)

| | Proprietary Fund Types | | | Component Units |
|--|---------------------------|---------------------|------------------------|---------------------------|
| | Enterprise | Internal Service | Nonexpendable Trust | Proprietary Fund Types |
| Cash Flows from Operating Activities: | | | | |
| Receipts from Sales and Services | \$ 88,976 | \$ 172,104 | \$ 10,911 | \$ 68,686 |
| Collections of Principal and Interest on Loans | - | - | - | 85,231 |
| Cash Payments for Loans | - | - | - | (131,881) |
| Payments to Suppliers for Goods and Services | (42,950) | (55,117) | - | (19,376) |
| Payments to Employees | (6,249) | (31,057) | - | (10,492) |
| Grant Receipts | - | 2,515 | - | - |
| Grant Payments | - | (13) | (13) | - |
| Cash Payments for Claims | (7,929) | (91,230) | - | (70,109) |
| Collections of Notes Receivable | - | - | - | - |
| Collections of Payroll Taxes | - | - | - | 3,028 |
| Cash Payments for Prizes | (16,013) | - | - | - |
| Scholarship/Fellowship Payments | - | - | (5) | - |
| Other Operating Revenues | 99 | 2,569 | 33 | 74 |
| Other Operating Payments | - | - | - | - |
| Net Cash Provided by (Used for) Operating Activities | 15,934 | (229) | 10,926 | (74,839) |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Payment of Principal and Interest on Bonds and Notes | (6,499) | (2,385) | - | (97,337) |
| Proceeds from Issuance of Bonds and Notes | 3,202 | 3,293 | - | 157,555 |
| Payment of Bond Issuance Costs | - | - | - | (1,876) |
| Premium Paid on Refunding Bonds | - | - | - | (398) |
| Collection of Taxes | 11,862 | - | 19,061 | - |
| Transfers to Primary Government | - | - | - | (10,000) |
| Transfers to Other Funds | (27,132) | (1,792) | (103,938) | - |
| Transfers to Component Units | - | - | (2,286) | - |
| Transfers from Other Funds | 68 | 913 | 1,139 | - |
| Proceeds from Interfund Loans | 438 | 2,257 | 4,987 | - |
| Payment of Interfund Loans | (432) | (526) | (4,943) | - |
| Contributed Capital Transfers from Other Funds | - | 4,342 | - | - |
| Residual Equity Transfers to Other Funds | (1,375) | - | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (19,868) | 6,102 | (85,980) | 47,944 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition of Fixed Assets | (302) | (15,957) | (1) | (1,786) |
| Proceeds from Sale of Fixed Assets | 4 | 1,058 | - | 37 |
| Principal and Interest Payments on Bonds and Notes | (1,146) | (2,358) | - | - |
| Net Cash Used for Capital and Related Financing Activities | (1,444) | (17,257) | (1) | (1,749) |
| Cash Flow from Investing Activities: | | | | |
| Purchase of Investments | (4,802) | (9,645) | (53,050) | (705,938) |
| Proceeds from Sales or Maturities of Investments | 4,457 | 16,215 | 33,377 | 686,395 |
| Proceeds from Securities Lending Transactions | 113 | 364 | 8,376 | 5,686 |
| Interest and Dividends on Investments | 1,118 | 3,989 | 75,962 | 48,706 |
| Payment of Securities Lending Costs | (105) | (342) | (7,959) | (5,494) |
| Collections of Principal and Interest on Loans | 21,271 | - | - | (114) |
| Cash Payments for Loans | (21,628) | - | - | - |
| Arbitrage Rebate Tax | (45) | - | - | (111) |
| Collection of Rents/Leases/Royalties | - | - | 26,480 | - |
| Net Cash Provided by (Used for) Investing Activities | 379 | 10,581 | 83,186 | 29,130 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,999) | (803) | 8,131 | 486 |
| Cash and Cash Equivalents, July 1 | 23,378 | 19,982 | 39,436 | 42,227 |
| Cash and Cash Equivalents, June 30 | \$ 18,379 | \$ 19,179 | \$ 47,567 | \$ 42,713 |

The notes to the financial statements are an integral part of this statement.

| | Proprietary Fund Types | | | Component Units |
|---|---------------------------|---------------------|------------------------|---------------------------|
| | Enterprise | Internal Service | Nonexpendable Trust | Proprietary Fund Types |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating Income (Loss) | \$ 27,495 | \$ (21,327) | \$ 95,203 | 4,095 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Depreciation | 883 | 8,979 | - | 309 |
| Amortization | 175 | 253 | - | 1,011 |
| Taxes | (11,861) | - | (17,940) | - |
| Interest Expense | 3,327 | 588 | - | 36,345 |
| Securities Lending Expense | 111 | 301 | 7,951 | 5,647 |
| Interest on Investments | (1,163) | (1,813) | (39,976) | (33,712) |
| Securities Lending Income | (116) | (321) | (8,207) | (5,825) |
| Financing Income | (3,763) | - | - | - |
| Federal Indirect Cost Recoveries | - | 2,767 | - | - |
| Arbitrage Rebate Tax | 88 | - | - | 236 |
| Rentals/Leases/Royalties | - | - | (26,453) | - |
| Extraordinary Item (Legal Settlement) | - | - | - | - |
| Change in Assets and Liabilities: | | | | |
| Decr (Incr) in Accounts Receivable | (888) | (1,086) | - | 336 |
| Decr (Incr) in Due from Other Governments | - | 15 | - | - |
| Decr (Incr) in Due from Other Funds | 16 | (2,384) | 348 | (184) |
| Decr (Incr) in Due from Primary Government | - | - | - | 1,919 |
| Decr (Incr) in Due from Component Units | 49 | 1,106 | - | - |
| Decr (Incr) in Inventories | 264 | 46 | - | 6 |
| Decr (Incr) in Intangible Assets | (6) | - | - | - |
| Decr (Incr) in Long-Term Loans/Notes Receivable | - | - | - | (81,283) |
| Incr (Decr) in Deferred Charges | - | - | - | 101 |
| Decr (Incr) in Other Assets | 88 | (23) | - | 17 |
| Incr (Decr) in Accounts Payable | 351 | 2,311 | - | 48 |
| Incr (Decr) in Lottery Prizes Payable | (394) | - | - | - |
| Incr (Decr) in Due to Other Funds | 1,450 | 660 | - | 655 |
| Incr (Decr) in Due to Other Governments | 35 | - | - | - |
| Incr (Decr) in Due to Primary Government | - | - | - | (7) |
| Incr (Decr) in Due to Component Units | 4 | (16) | - | - |
| Incr (Decr) in Non-Capital Leases Payable | - | 505 | - | - |
| Incr (Decr) in Deferred Revenue | (602) | (762) | - | (4,499) |
| Incr (Decr) in Property Held in Trust | (38) | 4 | - | 576 |
| Incr (Decr) in Compensated Absences Payable | (2) | 866 | - | 89 |
| Incr (Decr) in Estimated Insurance Claims | 431 | 8,816 | - | (719) |
| Incr (Decr) in Other Liabilities | - | 286 | - | - |
| Net Cash Provided by (Used for) Operating Activities | \$ 15,934 | \$ (229) | \$ 10,926 | (74,839) |
| Schedule of Noncash Transactions: | | | | |
| Fixed Asset Acquisitions from Capital Leases | \$ 23 | \$ 888 | \$ - | - |
| Asset Acquisitions from Contributed | | | | |
| Capital Transfers from Other Funds | 652 | 4,901 | - | - |
| Asset Disposals from Contributed Capital | (138) | - | - | - |
| Total Noncash Transactions | \$ 537 | \$ 5,789 | \$ - | - |
| Reconciliation for Nonexpendable Trust: | | | | |
| Cash and Cash Equivalents, June 30 | | | \$ 47,567 | |
| Cash and Cash Equivalents, Expendable Trust, Investment Trust and Agency | | | 797,771 | |
| Cash and Cash Equivalents per Combined Balance Sheet, Trust and Agency | | | <u>\$ 845,338</u> | |

STATE OF MONTANA
COMBINING BALANCE SHEET
COMPONENT UNITS - PROPRIETARY FUND TYPES
June 30, 2000
(Expressed in Thousands)

| | Housing Authority | Health Facilities Authority | State Compensation Insurance (New Fund) | State Compensation Insurance (Old Fund) | Totals |
|--|----------------------|-----------------------------------|--|--|---------------------|
| Assets: | | | | | |
| Cash/Cash Equivalents | \$ 3,022 | \$ 779 | \$ 29,932 | \$ 8,980 | \$ 42,713 |
| Receivables (Net) | 6,182 | 109 | 21,619 | 2,369 | 30,279 |
| Due from Primary Government (Note 13) | - | - | 3 | 11 | 14 |
| Due from Other Funds (Note 13) | - | - | 488 | - | 488 |
| Inventories | - | - | 27 | - | 27 |
| Long-Term Loans/Notes Receivable | 547,269 | 158 | - | - | 547,427 |
| Investments (Note 4) | 170,061 | 929 | 412,432 | 126,378 | 709,800 |
| Securities Lending Collateral (Note 4) | - | 935 | 100,180 | 5,317 | 106,432 |
| Equipment | 82 | 4 | 2,658 | - | 2,744 |
| Accumulated Depreciation | (26) | (2) | (1,480) | - | (1,508) |
| Intangible Assets | 147 | - | 7,228 | - | 7,375 |
| Deferred Charges | 6,754 | - | - | - | 6,754 |
| Other Assets | 29 | - | 536 | 16 | 581 |
| Total Assets | <u>\$ 733,520</u> | <u>\$ 2,912</u> | <u>\$ 573,623</u> | <u>\$ 143,071</u> | <u>\$ 1,453,126</u> |
| Liabilities/Fund Equity: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 6,132 | \$ 6 | \$ 1,523 | \$ 30 | \$ 7,691 |
| Due to Primary Government (Note 13) | 19 | 1 | 798 | 2 | 820 |
| Due to Other Funds (Note 13) | 27 | 6 | 405 | 498 | 936 |
| Deferred Revenue | - | - | 14,593 | 656 | 15,249 |
| Lease/Installment Purchase Payable (Note 11) | - | - | 42 | - | 42 |
| Bonds/Notes Payable (Net) (Note 12) | 622,576 | - | - | - | 622,576 |
| Property Held in Trust | 2 | - | 998 | - | 1,000 |
| Securities Lending Liability (Note 4) | - | 935 | 100,180 | 5,317 | 106,432 |
| Compensated Absences Payable | 48 | 24 | 927 | 63 | 1,062 |
| Estimated Insurance Claims (Note 9) | - | - | 314,900 | 117,945 | 432,845 |
| Arbitrage Rebate Tax Payable | 227 | - | - | - | 227 |
| Total Liabilities | <u>629,031</u> | <u>972</u> | <u>434,366</u> | <u>124,511</u> | <u>1,188,880</u> |
| Fund Equity: | | | | | |
| Contributed Capital (Note 17) | - | - | - | 154,468 | 154,468 |
| Retained Earnings: | | | | | |
| Reserved for Debt Service | 104,489 | - | - | - | 104,489 |
| Unreserved | - | 1,940 | 139,257 | (135,908) | 5,289 |
| Total Fund Equity | <u>104,489</u> | <u>1,940</u> | <u>139,257</u> | <u>18,560</u> | <u>264,246</u> |
| Total Liabilities/Fund Equity | <u>\$ 733,520</u> | <u>\$ 2,912</u> | <u>\$ 573,623</u> | <u>\$ 143,071</u> | <u>\$ 1,453,126</u> |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
COMPONENT UNITS - PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Housing Authority | Health Facilities Authority | State Compensation Insurance (New Fund) | State Compensation Insurance (Old Fund) | Totals |
|---|----------------------|-----------------------------------|--|--|-------------------|
| Operating Revenues: | | | | | |
| Charges for Services | \$ 267 | \$ 282 | \$ 22 | \$ - | \$ 571 |
| Investment Earnings | 9,697 | 96 | 18,787 | 5,132 | 33,712 |
| Securities Lending Income | 4 | 40 | 5,371 | 410 | 5,825 |
| Financing Income | 34,902 | - | - | - | 34,902 |
| Contributions/Premiums | - | - | 70,657 | - | 70,657 |
| Payroll Taxes | - | - | 1 | 1,892 | 1,893 |
| Other Operating Revenues | 5 | - | 28 | - | 33 |
| Total Operating Revenues | 44,875 | 418 | 94,866 | 7,434 | 147,593 |
| Operating Expenses: | | | | | |
| Personal Services | 569 | 111 | 9,988 | - | 10,668 |
| Contractual Services | 2,441 | 19 | 4,854 | 1,146 | 8,460 |
| Supplies/Materials | 42 | 19 | 353 | - | 414 |
| Benefits/Claims (Note 3) | - | - | 68,447 | 1,302 | 69,749 |
| Depreciation | 7 | - | 302 | - | 309 |
| Amortization | 24 | - | 987 | - | 1,011 |
| Utilities/Rent | 43 | 11 | 160 | - | 214 |
| Communications | 32 | 9 | 834 | - | 875 |
| Travel | 70 | 21 | 155 | - | 246 |
| Repair/Maintenance | 61 | 3 | 534 | - | 598 |
| Interest Expense | 36,345 | - | - | - | 36,345 |
| Securities Lending Expense | 4 | 40 | 5,207 | 396 | 5,647 |
| Arbitrage Rebate Tax | 236 | - | - | - | 236 |
| Dividends | - | - | - | - | - |
| Other Operating Expenses | 158 | 19 | 8,142 | 407 | 8,726 |
| Total Operating Expenses | 40,032 | 252 | 99,963 | 3,251 | 143,498 |
| Operating Income (Loss) | 4,843 | 166 | (5,097) | 4,183 | 4,095 |
| Nonoperating Revenues (Expenses): | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | (38) | - | (38) |
| Total Nonoperating Revenues (Expenses) | - | - | (38) | - | (38) |
| Income (Loss) Before Operating Transfers | 4,843 | 166 | (5,135) | 4,183 | 4,057 |
| Net Income (Loss) | 4,843 | 166 | (5,135) | 4,183 | 4,057 |
| Retained Earnings - July 1 - | | | | | |
| As Previously Reported | 99,646 | 1,774 | 144,368 | (140,091) | 105,697 |
| Prior Period Adjustments (Note 3) | - | - | 24 | - | 24 |
| Retained Earnings - July 1 - | | | | | |
| As Restated | 99,646 | 1,774 | 144,392 | (140,091) | 105,721 |
| Retained Earnings - June 30 | \$ 104,489 | \$ 1,940 | \$ 139,257 | \$ (135,908) | \$ 109,778 |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Housing Authority | Health Facilities Authority | State Compensation Insurance (New Fund) | State Compensation Insurance (Old Fund) | Totals |
|--|----------------------|-----------------------------------|--|--|-----------|
| Cash Flows from Operating Activities: | | | | | |
| Receipts from Sales and Services | \$ 109 | \$ 285 | \$ 68,362 | \$ (70) | \$ 68,686 |
| Collections of Principal and Interest on Loans | 85,231 | - | - | - | 85,231 |
| Cash Payments for Loans | (131,881) | - | - | - | (131,881) |
| Payments to Suppliers for Goods and Services | (2,648) | (102) | (15,370) | (1,256) | (19,376) |
| Payments to Employees | (561) | (112) | (9,819) | - | (10,492) |
| Cash Payments for Claims | - | - | (56,657) | (13,452) | (70,109) |
| Collection of Notes Receivable | - | - | - | - | - |
| Collection of Payroll Taxes | - | - | - | 3,028 | 3,028 |
| Other Operating Revenues | 26 | - | 48 | - | 74 |
| Other Operating Payments | - | - | - | - | - |
| Net Cash Provided by (Used for) Operating Activities | (49,724) | 71 | (13,436) | (11,750) | (74,839) |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Payment of Principal and Interest on Bonds and Notes | (97,337) | - | - | - | (97,337) |
| Proceeds from Issuance of Bonds and Notes | 157,555 | - | - | - | 157,555 |
| Payment of Bond Issuance Costs | (1,876) | - | - | - | (1,876) |
| Premium Paid on Refunding Bonds | (398) | - | - | - | (398) |
| Transfers to Primary Government | - | - | (10,000) | - | (10,000) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 57,944 | - | (10,000) | - | 47,944 |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Acquisition of Fixed Assets | (118) | - | (1,668) | - | (1,786) |
| Proceeds from Sale of Fixed Assets | - | - | 37 | - | 37 |
| Net Cash Used for Capital and Related Financing Activities | (118) | - | (1,631) | - | (1,749) |
| Cash Flows from Investing Activities: | | | | | |
| Purchase of Investments | (632,597) | (297) | (59,710) | (13,334) | (705,938) |
| Proceeds from Sales or Maturities of Investments | 611,252 | 297 | 58,085 | 16,761 | 686,395 |
| Proceeds from Securities Lending Transactions | 4 | 38 | 5,232 | 412 | 5,686 |
| Interest and Dividends on Investments | 9,439 | 97 | 30,552 | 8,618 | 48,706 |
| Payment of Securities Lending Costs | (4) | (37) | (5,056) | (397) | (5,494) |
| Collections of Principal and Interest on Loans | - | (114) | - | - | (114) |
| Arbitrage Rebate Tax | (111) | - | - | - | (111) |
| Net Cash Provided by (Used for) Investing Activities | (12,017) | (16) | 29,103 | 12,060 | 29,130 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,915) | 55 | 4,036 | 310 | 486 |
| Cash and Cash Equivalents, July 1 | 6,937 | 724 | 25,896 | 8,670 | 42,227 |
| Cash and Cash Equivalents, June 30 | \$ 3,022 | \$ 779 | \$ 29,932 | \$ 8,980 | \$ 42,713 |

The notes to the financial statements are an integral part of this statement.

| | Housing Authority | Health Facilities Authority | State Compensation Insurance (New Fund) | State Compensation Insurance (Old Fund) | Totals |
|---|----------------------|-----------------------------------|--|--|-------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | | |
| Operating Income (Loss) | \$ 4,843 | \$ 166 | \$ (5,097) | \$ 4,183 | \$ 4,095 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) | | | | | |
| Operating Activities: | | | | | |
| Depreciation | 7 | - | 302 | - | 309 |
| Amortization | 24 | - | 987 | - | 1,011 |
| Interest Expense | 36,345 | - | - | - | 36,345 |
| Securities Lending Expense | 4 | 40 | 5,207 | 396 | 5,647 |
| Interest on Investments | (9,697) | (96) | (18,787) | (5,132) | (33,712) |
| Securities Lending Income | (4) | (40) | (5,371) | (410) | (5,825) |
| Arbitrage Rebate Tax | 236 | - | - | - | 236 |
| Change in Assets and Liabilities: | | | | | |
| Decr (Incr) in Accounts Receivable | 2 | (112) | 60 | 386 | 336 |
| Decr (Incr) in Due from Other Funds | - | - | (185) | 1 | (184) |
| Decr (Incr) in Due from Primary Government | - | - | 1,501 | 418 | 1,919 |
| Decr (Incr) in inventories | - | - | 6 | - | 6 |
| Decr (Incr) in Long-Term Loans/Notes Receivable | (81,399) | 116 | - | - | (81,283) |
| Incr (Decr) in Deferred Charges | 101 | - | - | - | 101 |
| Decr (Incr) in Other Assets | (316) | 1 | 224 | 108 | 17 |
| Incr (Decr) in Accounts Payable | 115 | (2) | (46) | (19) | 48 |
| Incr (Decr) in Due to Other Funds | 26 | 5 | 404 | 220 | 655 |
| Incr (Decr) in Due to Primary Government | (16) | (4) | 17 | (4) | (7) |
| Incr (Decr) in Deferred Revenue | - | - | (4,721) | 222 | (4,499) |
| Incr (Decr) in Property Held in Trust | (3) | (1) | 580 | - | 576 |
| Incr (Decr) in Compensated Absences Payable | 8 | (2) | 83 | - | 89 |
| Incr (Decr) in Estimated insurance Claims | - | - | 11,400 | (12,119) | (719) |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | \$ (49,724) | \$ 71 | \$ (13,436) | \$ (11,750) | \$ (74,839) |

STATE OF MONTANA
COMBINING STATEMENT OF PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
June 30, 2000
(Expressed in Thousands)

| | Public Employees Retirement Division | | | |
|--|--------------------------------------|---------------------|---------------------|--------------------------|
| | TRS | PERS | Municipal Police | Fire-Fighters Unified |
| Assets: | | | | |
| Cash/Cash Equivalents (Note 4) | \$ 38,605 | \$ 67,954 | \$ 3,868 | \$ 4,577 |
| Receivables (Net): | | | | |
| Employer Contributions | 6,054 | 1,786 | 212 | 173 |
| Employee Contributions | 6,381 | 1,968 | 142 | 123 |
| Interest | 5,912 | 7,222 | 295 | 277 |
| Other Receivables | 2 | 264 | - | - |
| Due from Primary Government (Note 13) | 133 | 27 | 5,909 | 5,278 |
| Due from Other Funds (Note 13) | 167 | 390 | 39 | 22 |
| Long-Term Notes/Loans Receivable | - | 528 | - | - |
| Investments at Fair Value: | | | | |
| Equity in Pooled Investments (Note 4) | 2,095,349 | 2,577,576 | 117,916 | 112,526 |
| Other Investments (Note 4) | 231,323 | 275,542 | 3,826 | 2,870 |
| Securities Lending Collateral (Note 4) | 164,092 | 202,136 | 9,363 | 8,645 |
| Land | 35 | 25 | - | - |
| Buildings/Improvements | 158 | 277 | - | - |
| Equipment | 137 | 15 | - | - |
| Accumulated Depreciation | (203) | (196) | - | - |
| Intangible Assets | 2,666 | - | - | - |
| Total Assets | \$ 2,550,811 | \$ 3,135,514 | \$ 141,570 | \$ 134,491 |
| Liabilities: | | | | |
| Accounts Payable | \$ 126 | \$ 1,357 | \$ - | \$ - |
| Due to Primary Government (Note 13) | 25 | 43 | - | - |
| Due to Other Governments | (1) | - | - | - |
| Due to Other Funds (Note 13) | 30 | 68 | 37 | 30 |
| Deferred Revenue | - | 193 | 3 | 9 |
| Lease/Installment Purchase Payable (Note 11) | 2,159 | - | - | - |
| Bonds/Notes Payable (Net) (Note 12) | - | 430 | - | - |
| Property Held in Trust | 11 | - | - | - |
| Securities Lending Liability (Note 4) | 164,092 | 202,135 | 9,363 | 8,645 |
| Compensated Absences Payable (Note 1) | 68 | 192 | - | - |
| Total Liabilities | 166,510 | 204,418 | 9,403 | 8,684 |
| Fund Balances Reserved for | | | | |
| Employee Pension Benefits | \$ 2,384,301 | \$ 2,931,096 | \$ 132,167 | \$ 125,807 |

The notes to the financial statements are an integral part of this statement.

| Sheriffs | Highway Patrol | Judges | Game Wardens | Volunteer Fire-Fighters | Totals |
|------------|-------------------|-----------|-----------------|----------------------------|-----------|
| \$ 5,677 | \$ 2,362 | \$ 997 | \$ 2,324 | \$ 1,128 | 127,492 |
| 141 | - | - | - | - | 8,366 |
| 147 | - | - | - | - | 8,761 |
| 297 | 168 | 102 | 75 | 48 | 14,396 |
| - | - | - | 5 | - | 271 |
| - | 213 | - | - | - | 11,560 |
| - | 7 | - | 8 | - | 633 |
| 108 | - | - | - | - | 636 |
| 119,319 | 73,915 | 40,042 | 30,261 | 15,793 | 5,182,697 |
| 3,826 | 2,870 | 1,913 | 957 | 957 | 524,084 |
| 9,432 | 6,029 | 3,347 | 2,383 | 1,649 | 407,076 |
| - | - | - | - | - | 60 |
| - | - | - | - | - | 435 |
| - | - | - | - | - | 152 |
| - | - | - | - | - | (399) |
| - | - | - | - | - | 2,666 |
| \$ 138,947 | \$ 85,564 | \$ 46,401 | \$ 36,013 | \$ 19,575 | 6,288,886 |
| \$ 2 | \$ 22 | \$ - | \$ 31 | \$ - | 1,538 |
| - | - | - | - | - | 68 |
| - | - | - | - | - | (1) |
| 29 | 15 | 3 | 19 | 28 | 259 |
| 2 | 6 | - | 2 | - | 215 |
| - | - | - | - | - | 2,159 |
| - | - | - | - | - | 430 |
| - | - | - | - | - | 11 |
| 9,432 | 6,029 | 3,347 | 2,383 | 1,649 | 407,075 |
| - | - | - | - | - | 260 |
| 9,465 | 6,072 | 3,350 | 2,435 | 1,677 | 412,014 |
| \$ 129,482 | \$ 79,492 | \$ 43,051 | \$ 33,578 | \$ 17,898 | 5,876,872 |

STATE OF MONTANA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Public Employees Retirement Division | | | |
|--|--------------------------------------|----------------|---------------------|--------------------------|
| | TRS | PERS | Municipal Police | Fire-Fighters Unified |
| Additions: | | | | |
| Contributions/Premiums: | | | | |
| Employer | \$ 48,376 | \$ 52,102 | \$ 8,845 | \$ 7,603 |
| Employee | 45,599 | 51,081 | 1,937 | 1,698 |
| Other Contributions | 147 | 51 | 1 | - |
| Net Investment Earnings: | | | | |
| Investment Earnings | 177,095 | 217,452 | 8,132 | 7,644 |
| Administrative Investment Expense | (2,219) | (2,702) | (78) | (64) |
| Securities Lending Income | 8,807 | 10,895 | 508 | 472 |
| Securities Lending Expense | (8,449) | (10,452) | (489) | (455) |
| Other Additions | 22 | 61 | - | - |
| Total Additions | 269,378 | 318,488 | 18,856 | 16,898 |
| Deductions: | | | | |
| Benefits | 109,231 | 96,015 | 8,653 | 7,518 |
| Refunds | 5,271 | 12,431 | 315 | 45 |
| Administrative Expenses: | | | | |
| Personal Services | 560 | 968 | - | - |
| Contractual Services | 199 | 613 | - | - |
| Supplies/Materials | 44 | 57 | - | - |
| Depreciation | 17 | 13 | - | - |
| Amortization | 236 | - | - | - |
| Utilities/Rent | 32 | 62 | - | - |
| Communications | 32 | 72 | - | - |
| Travel | 27 | 31 | - | - |
| Repair/Maintenance | 16 | 4 | - | - |
| Interest Expense | 122 | 1 | - | - |
| Other Operating Expenses | 8 | - | 37 | 30 |
| Local Assistance | - | - | - | - |
| Total Deductions | 115,795 | 110,267 | 9,005 | 7,593 |
| Net Increase (Decrease) | 153,583 | 208,221 | 9,851 | 9,305 |
| Fund Balances Reserved for Employee | | | | |
| Pension Benefits - July 1 - | | | | |
| As Previously Reported | 2,230,718 | 2,722,875 | 122,316 | 116,502 |
| Fund Balances Reserved for Employee | | | | |
| Pension Benefits - July 1 - | | | | |
| As Restated | 2,230,718 | 2,722,875 | 122,316 | 116,502 |
| Fund Balances Reserved for Employee | | | | |
| Pension Benefits - June 30 | \$ 2,384,301 | \$ 2,931,096 | \$ 132,167 | \$ 125,807 |

The notes to the financial statements are an integral part of this statement.

| Sheriffs | Highway Patrol | Judges | Game Wardens | Volunteer Fire-Fighters | Totals |
|------------|-------------------|-----------|-----------------|----------------------------|--------------|
| \$ 2,196 | \$ 2,837 | \$ 899 | \$ 1,100 | \$ 961 | 124,919 |
| 2,153 | 668 | 244 | 1,072 | - | 104,452 |
| 17 | - | - | 6 | - | 222 |
| 8,281 | 5,151 | 2,879 | 2,120 | 1,090 | 429,844 |
| (78) | (55) | (34) | (20) | (15) | (5,265) |
| 514 | 333 | 181 | 131 | 89 | 21,930 |
| (494) | (320) | (174) | (126) | (86) | (21,045) |
| - | - | - | - | - | 83 |
| 12,589 | 8,614 | 3,995 | 4,283 | 2,039 | 655,140 |
| 2,929 | 4,396 | 1,380 | 1,211 | 844 | 232,177 |
| 276 | 168 | - | 131 | - | 18,637 |
| - | - | - | - | - | 1,528 |
| - | - | - | - | - | 812 |
| - | - | - | - | - | 101 |
| - | - | - | - | - | 30 |
| - | - | - | - | - | 236 |
| - | - | - | - | - | 94 |
| - | - | - | - | - | 104 |
| - | - | - | - | - | 58 |
| - | - | - | - | - | 20 |
| - | - | - | - | - | 123 |
| 29 | 15 | 3 | 19 | 27 | 168 |
| - | - | - | - | 11 | 11 |
| 3,234 | 4,579 | 1,383 | 1,361 | 882 | 254,099 |
| 9,355 | 4,035 | 2,612 | 2,922 | 1,157 | 401,041 |
| 120,127 | 75,457 | 40,439 | 30,656 | 16,741 | 5,475,831 |
| 120,127 | 75,457 | 40,439 | 30,656 | 16,741 | 5,475,831 |
| \$ 129,482 | \$ 79,492 | \$ 43,051 | \$ 33,578 | \$ 17,898 | \$ 5,876,872 |

STATE OF MONTANA
COMBINING BALANCE SHEET
COMPONENT UNITS - ALL HIGHER EDUCATION FUNDS
June 30, 2000
(Expressed in Thousands)

| Current Funds | | | | |
|--|----------------------|------------------|------------------|------------------|
| Unrestricted | | | | |
| | General Operating | Designated | Auxiliary | Restricted |
| Assets: | | | | |
| Cash/Cash Equivalents | \$ 9,407 | \$ 18,079 | \$ 15,887 | \$ 4,575 |
| Receivables (Net) | 5,861 | 729 | 897 | 20,235 |
| Interfund Loans Receivable (Note 13) | 7,530 | 14,608 | 50 | 2,200 |
| Due from Other Governments | 1 | 7 | - | 6,335 |
| Due from Primary Government (Note 13) | 236 | 136 | - | 1,050 |
| Due from Other Funds (Note 13) | 1,350 | 3,111 | 463 | 1,092 |
| Inventories | 81 | 1,393 | 2,353 | - |
| Equity in Pooled Investments (Note 4) | - | - | - | - |
| Advances to Other Funds | - | 68 | 5 | - |
| Investments (Note 4) | - | 124 | - | - |
| Securities Lending Collateral (Note 4) | - | 1 | 1 | - |
| Land | - | - | - | - |
| Buildings/Improvements | - | - | - | - |
| Equipment | - | - | - | - |
| Other Fixed Assets | - | - | - | - |
| Construction in Progress | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Deferred Charges | - | - | - | - |
| Other Assets | 3,721 | 1,895 | 291 | 315 |
| Total Assets | \$ 28,187 | \$ 40,151 | \$ 19,947 | \$ 35,802 |
| Liabilities/Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 3,020 | \$ 2,381 | \$ 1,332 | \$ 1,284 |
| Interfund Loans Payable (Note 13) | 1,600 | - | 208 | 15,191 |
| Advances from Other Funds | 5 | 63 | 89 | 5 |
| Due to Other Governments | 1,771 | 1 | - | 10 |
| Due to Primary Government (Note 13) | 640 | 442 | 14 | 4 |
| Due to Other Funds (Note 13) | 13,030 | 2,152 | 1,612 | 6,517 |
| Deferred Revenue | 6,775 | 1,857 | 812 | - |
| Lease/Installment Purchase Payable (Note 11) | - | - | - | - |
| Bonds/Notes Payable (Note 12) | - | - | - | - |
| Property Held in Trust | 136 | 198 | 515 | 151 |
| Securities Lending Liability (Note 4) | - | 1 | 1 | - |
| Early Retirement Benefits Payable (Note 12) | 36 | - | 2 | - |
| Compensated Absences Payable (Note 1) | 25,092 | 6,230 | 2,201 | 369 |
| Total Liabilities | 52,105 | 13,325 | 6,786 | 23,531 |
| Fund Balances: | | | | |
| Net Investment in Plant | - | - | - | - |
| Reserved for: | | | | |
| Encumbrances | 611 | 99 | 36 | 67 |
| Debt Service | - | - | - | - |
| Student Loans/Endowments | - | - | - | - |
| Construction | - | - | - | - |
| Unreserved | (24,529) | 26,727 | 13,125 | 12,204 |
| Total Fund Balances | (23,918) | 26,826 | 13,161 | 12,271 |
| Total Liabilities/Fund Balances | \$ 28,187 | \$ 40,151 | \$ 19,947 | \$ 35,802 |

The notes to the financial statements are an integral part of this statement.

| Fiduciary Funds | | | | Plant Funds | | | |
|------------------|-----------------|------------------|------------------|----------------------------|----------------------------------|------------------------|---------------------|
| Student Loans | Endowments | Agency | Unexpended | Renewal and Replacement | Retirement of Indebtedness | Investment in Plant | Totals |
| \$ 2,926 | \$ 1,997 | \$ 3,111 | \$ 20,605 | \$ 13,501 | \$ 4,676 | \$ - | \$ 94,764 |
| 29,547 | 12 | (105) | 129 | 41 | 88 | - | 57,434 |
| - | - | - | 2,052 | 25 | 50 | - | 26,515 |
| 47 | - | - | - | - | - | - | 6,390 |
| - | - | 891 | 140 | - | - | - | 2,453 |
| 121 | - | 18,322 | 556 | 1,749 | 1,568 | - | 28,332 |
| - | - | - | - | - | - | - | 3,827 |
| 364 | 3,202 | - | - | - | - | - | 3,566 |
| - | - | - | 29 | 39 | 89 | - | 230 |
| - | 1,424 | - | - | 2,358 | - | - | 3,906 |
| 7 | 284 | 1 | 1 | 1 | - | - | 296 |
| - | - | - | - | - | - | 13,728 | 13,728 |
| - | - | - | - | - | - | 526,955 | 526,955 |
| - | - | - | - | - | - | 111,224 | 111,224 |
| - | - | - | - | - | - | 91,274 | 91,274 |
| - | - | - | 15,183 | 2,105 | - | 13,100 | 30,388 |
| - | - | - | - | - | - | 3,477 | 3,477 |
| - | - | - | - | - | 2,150 | - | 2,150 |
| - | - | 250 | 12 | - | - | - | 6,484 |
| <u>\$ 33,012</u> | <u>\$ 6,919</u> | <u>\$ 22,470</u> | <u>\$ 38,707</u> | <u>\$ 19,819</u> | <u>\$ 8,621</u> | <u>\$ 759,758</u> | <u>1,013,393</u> |
| \$ 6 | \$ - | \$ 3,519 | \$ 1,186 | \$ 271 | \$ 1,593 | \$ - | \$ 14,592 |
| - | - | 7,250 | 2,225 | 41 | - | - | 26,515 |
| - | - | - | - | - | - | 69 | 231 |
| - | - | 3,705 | - | - | - | - | 5,487 |
| - | - | 993 | 49 | 102 | - | - | 2,244 |
| 7 | - | 3,132 | 1,192 | 335 | 538 | - | 28,515 |
| - | - | - | 290 | 101 | 249 | - | 10,084 |
| - | - | - | - | - | - | 1,386 | 1,386 |
| - | - | - | 17,493 | - | 2,181 | 203,904 | 223,578 |
| 10 | - | 3,870 | - | - | - | - | 4,880 |
| 7 | 284 | 1 | 1 | 1 | - | - | 296 |
| - | - | - | - | - | - | - | 38 |
| - | - | - | 5 | - | - | - | 33,897 |
| <u>30</u> | <u>284</u> | <u>22,470</u> | <u>22,441</u> | <u>851</u> | <u>4,561</u> | <u>205,359</u> | <u>351,743</u> |
| - | - | - | - | - | - | 554,399 | 554,399 |
| - | - | - | 87 | - | - | - | 900 |
| - | - | - | - | - | 1,047 | - | 1,047 |
| 31,422 | 4,927 | - | - | - | - | - | 36,349 |
| - | - | - | 4,889 | 1,318 | - | - | 6,207 |
| 1,560 | 1,708 | - | 11,290 | 17,650 | 3,013 | - | 62,748 |
| <u>32,982</u> | <u>6,635</u> | <u>-</u> | <u>16,266</u> | <u>18,968</u> | <u>4,060</u> | <u>554,399</u> | <u>661,650</u> |
| <u>\$ 33,012</u> | <u>\$ 6,919</u> | <u>\$ 22,470</u> | <u>\$ 38,707</u> | <u>\$ 19,819</u> | <u>\$ 8,621</u> | <u>\$ 759,758</u> | <u>\$ 1,013,393</u> |

STATE OF MONTANA
STATEMENT OF CHANGES IN FUND BALANCE
COMPONENT UNITS - ALL HIGHER EDUCATION FUNDS
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Current Funds | | | |
|--|----------------------|------------------|------------------|------------------|
| | Unrestricted | | | |
| | General Operating | Designated | Auxiliary | Restricted |
| Revenues/Other Additions: | | | | |
| Tuition/Fees | \$ 107,895 | \$ 18,050 | \$ 10,016 | \$ 169 |
| Federal Grants/Contracts | 4,469 | 109 | 27 | 123,170 |
| State Grants/Contracts | - | 1,620 | 118 | 6,792 |
| Local Grants/Contracts | - | 46 | - | 804 |
| Private Gifts/Grants/Donations | - | 1,182 | 56 | 35,499 |
| Sales/Services-Educational Activities | 1,152 | 2,680 | 33 | 203 |
| Sales/Services-Designated/Auxiliary Enterprises | 2 | 15,427 | 55,637 | 277 |
| Indirect Costs Recovered | 55 | 13,630 | - | 53 |
| Investment Earnings | 2,091 | 1,107 | 1,345 | 380 |
| Securities Lending Income | 12 | 68 | 5 | 1 |
| Acquisition of Long-Lived Assets | - | - | - | - |
| Retirement of Indebtedness | - | - | - | - |
| Other Revenues/Additions | 1,145 | 5,165 | 1,463 | 761 |
| Total Revenues/Other Additions | 116,821 | 59,084 | 68,700 | 168,109 |
| Intrafund Revenues/Other Additions | (27) | (161) | - | (818) |
| Net Revenues/Other Additions | 116,794 | 58,923 | 68,700 | 167,291 |
| Expenditures/Other Deductions: | | | | |
| Instruction | 120,309 | 7,291 | - | 9,174 |
| Research | 12,599 | 12,049 | - | 65,464 |
| Public Service | 7,427 | 6,725 | 1 | 15,741 |
| Academic Support | 20,959 | 895 | - | 3,172 |
| Student Services | 18,613 | 14,325 | 7 | 3,721 |
| Institutional Support | 19,401 | 6,880 | - | 2,706 |
| Scholarships/Fellowships | 9,359 | 2,082 | 42 | 59,695 |
| Auxiliary Enterprises | - | 60 | 56,005 | 142 |
| Operation/Maintenance of Plant | 25,164 | 2,499 | - | 97 |
| Expended for Plant | 4 | 8 | - | 49 |
| Debt Services | 1,956 | 267 | 58 | 4 |
| Capital Outlay | 5,207 | 1,864 | 235 | 5,227 |
| Securities Lending | 12 | 66 | 5 | 1 |
| Disposal of Long-Lived Assets | - | - | - | - |
| Debt Incurred | - | - | - | - |
| Other Expenditures/Deductions | 32 | 56 | 1 | 257 |
| Total Expenditures/Other Deductions | 241,042 | 55,067 | 56,354 | 165,450 |
| Intrafund Expenditures/Other Deductions | (27) | (161) | - | (818) |
| Net Expenditures/Other Deductions | 241,015 | 54,906 | 56,354 | 164,632 |
| Transfers In (Out)/Other Additions (Deductions): | | | | |
| Transfers from State General Fund | 110,608 | - | - | - |
| Millage Transfers | 14,809 | - | - | - |
| Mandatory Transfers | 634 | (1,725) | (9,236) | - |
| Nonmandatory Transfers | (1,180) | 2,770 | (1,106) | 442 |
| Transfers from Primary Government | - | - | 261 | - |
| Transfers to Primary Government | (582) | - | - | - |
| Gain on Advance Refunding | - | - | - | - |
| Total Transfers In (Out) (Note 13) | 124,289 | 1,045 | (10,081) | 442 |
| Move Equity to Investment in Plant | - | - | - | - |
| Bond Proceeds | - | 380 | - | 3 |
| Total Transfers In (Out)/Other Additions (Deductions) | 124,289 | 1,425 | (10,081) | 445 |
| Net Increase (Decrease) in Fund Balances | 68 | 5,442 | 2,265 | 3,104 |
| Fund Balances - July 1 - As Previously Reported | (23,986) | 21,208 | 10,896 | 9,143 |
| Prior Period Adjustments (Note 3) | - | 47 | - | 24 |
| Fund Balances - July 1 - As Restated | (23,986) | 21,255 | 10,896 | 9,167 |
| Residual Equity Transfers (Note 13) | - | 129 | - | - |
| Fund Balances - June 30 | \$ (23,918) | \$ 26,826 | \$ 13,161 | \$ 12,271 |

The notes to the financial statements are an integral part of this statement

| Fiduciary Funds | | | Plant Funds | | |
|------------------|------------|------------|----------------------------|----------------------------------|------------------------|
| Student Loans | Endowments | Unexpended | Renewal and Replacement | Retirement of Indebtedness | Investment in Plant |
| \$ - | \$ - | \$ 4,878 | \$ 696 | \$ 5,735 | - |
| 467 | - | - | - | 23 | - |
| 303 | - | - | 12 | - | - |
| - | - | - | - | - | - |
| 13 | 11 | 2,089 | 38 | - | - |
| - | - | 21 | - | - | - |
| 14 | - | 93 | 73 | 1,103 | - |
| - | - | - | - | - | - |
| 156 | 61 | 1,843 | 811 | 445 | - |
| 2 | 18 | 6 | 8 | - | - |
| - | - | - | - | - | 26,219 |
| - | - | - | - | - | 68,905 |
| 804 | - | 1,893 | 2,056 | 384 | - |
| 1,759 | 90 | 10,823 | 3,694 | 7,690 | 95,124 |
| - | - | - | - | - | - |
| 1,759 | 90 | 10,823 | 3,694 | 7,690 | 95,124 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 24 | - | - | - | - | - |
| 32 | - | - | 16 | - | - |
| - | - | - | - | - | - |
| - | 1 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 7,400 | 5,940 | 7 | - |
| - | - | 376 | 16 | 78,808 | - |
| - | - | 3,935 | 1,771 | 30 | - |
| 2 | 18 | 6 | 8 | - | - |
| - | - | - | - | - | 28,905 |
| - | - | - | - | - | 60,916 |
| 415 | - | - | 11 | - | - |
| 473 | 19 | 11,717 | 7,762 | 78,845 | 89,821 |
| - | - | - | - | - | - |
| 473 | 19 | 11,717 | 7,762 | 78,845 | 89,821 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | (3,563) | (205) | 14,403 | - |
| (5) | 36 | (1,354) | 5,200 | (4,107) | - |
| - | - | 995 | 70 | 1,030 | - |
| - | - | - | - | (11) | - |
| - | - | - | - | 2,309 | - |
| (5) | 36 | (3,922) | 5,065 | 13,624 | - |
| - | - | 5,445 | 170 | 2,477 | (23,226) |
| - | - | - | - | 56,482 | - |
| (5) | 36 | 1,523 | 5,235 | 72,583 | (23,226) |
| 1,281 | 107 | 629 | 1,167 | 1,428 | (17,923) |
| 31,701 | 6,528 | 14,979 | 19,488 | 2,998 | 572,322 |
| - | - | 309 | (1,338) | (366) | - |
| 31,701 | 6,528 | 15,288 | 18,150 | 2,632 | 572,322 |
| - | - | 349 | (349) | - | - |
| \$ 32,982 | \$ 6,635 | \$ 16,266 | \$ 18,968 | \$ 4,060 | \$ 554,399 |

STATE OF MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS AND OTHER CHANGES
COMPONENT UNITS - HIGHER EDUCATION FUND TYPE
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

| | Current Funds | | | |
|---|----------------------|-----------------|-----------------|-----------------|
| | Unrestricted | | | |
| | General Operating | Designated | Auxiliary | Restricted |
| Revenues: | | | | |
| Tuition/Fees | \$ 107,895 | \$ 18,050 | \$ 10,016 | \$ 169 |
| Federal Grants/Contracts | 4,469 | 109 | 27 | 110,839 |
| State Grants/Contracts | - | 1,620 | 118 | 6,529 |
| Local Grants/Contracts | - | 46 | - | 804 |
| Private Gifts/Grants/Donations | - | 1,182 | 56 | 31,861 |
| Sales/Services-Educational Activities | 1,152 | 2,680 | 33 | 203 |
| Sales/Services-Designated/Auxiliary Enterprises | 2 | 15,427 | 55,637 | 277 |
| Indirect Costs Recovered | 55 | 13,630 | - | 53 |
| Investment Earnings | 2,091 | 1,107 | 1,345 | 380 |
| Securities Lending Income | 12 | 68 | 5 | 1 |
| Other Revenues | 1,145 | 5,165 | 1,463 | 761 |
| Total Revenues | 116,821 | 59,084 | 68,700 | 151,877 |
| Intrafund Revenues | (27) | (161) | - | (818) |
| Net Revenues | 116,794 | 58,923 | 68,700 | 151,059 |
| Expenditures: | | | | |
| Educational and General: | | | | |
| Instruction | 120,309 | 7,291 | - | 8,456 |
| Research | 12,599 | 12,049 | - | 54,152 |
| Public Service | 7,427 | 6,725 | 1 | 14,676 |
| Academic Support | 20,959 | 895 | - | 3,168 |
| Student Services | 18,613 | 14,325 | 7 | 3,637 |
| Institutional Support | 19,401 | 6,880 | - | 2,339 |
| Scholarships/Fellowships | 9,359 | 2,082 | 42 | 59,672 |
| Operation/Maintenance of Plant | 25,164 | 2,499 | - | 97 |
| Other Expenditures | 32 | 56 | 1 | 257 |
| Total Educational and General Expenditures | 233,863 | 52,802 | 51 | 146,454 |
| Intrafund Expenditures | (27) | (161) | - | (818) |
| Net Educational and General Expenditures | 233,836 | 52,641 | 51 | 145,636 |
| Auxiliary Enterprises | - | 60 | 56,005 | 142 |
| Debt Services | 1,956 | 267 | 58 | 4 |
| Capital Outlay | 5,211 | 1,872 | 235 | 5,276 |
| Securities Lending | 12 | 66 | 5 | 1 |
| Total Expenditures | 241,015 | 54,906 | 56,354 | 151,059 |
| Transfers In (Out): | | | | |
| Transfers from State General Fund | 110,608 | - | - | - |
| Millage Transfers | 14,809 | - | - | - |
| Mandatory Transfers | 634 | (1,725) | (9,236) | - |
| Nonmandatory Transfers | (1,180) | 2,770 | (1,106) | 442 |
| Transfers from Primary Government | - | - | 261 | - |
| Transfers to Primary Government | (582) | - | - | - |
| Total Transfers In (Out) (Note 13) | 124,289 | 1,045 | (10,081) | 442 |
| Other Additions(Deductions): | | | | |
| Bond Proceeds | - | 380 | - | 3 |
| Excess of Restricted Receipts Over Transfers to Revenue | - | - | - | 2,659 |
| Total Other Additions (Deductions) | - | 380 | - | 2,662 |
| Net Increase (Decrease) in Fund Balances | \$ 68 | \$ 5,442 | \$ 2,265 | \$ 3,104 |

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the Higher Education Funds have been prepared in conformity with GAAP for colleges and universities as prescribed by the American Institute of Certified Public Accountants.

A. Reporting Entity - For financial reporting purposes, the State of Montana has included all funds and account groups which comprise the State of Montana (the primary government) and its component units. The component units are entities for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The component units' columns of the combined financial statements include the financial data of these entities:

Housing Authority (Proprietary Fund Type/State Special Revenue Fund Type) - This Authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor. It was created in 1975 to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income. The Board issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975 million. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. The Authority is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 836 Front Street, PO Box 200528, Helena, MT 59620-0528.

Health Facilities Authority (Proprietary Fund Type) - This Authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. Its purpose is to contain future health care costs by offering debt financing or refinancing at reduced rates to Montana non-profit private and public health care institutions for purchases of capital equipment and buildings. The Board issues revenue bonds to fulfill its purpose. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. Individual audit reports are issued by the Legislative Auditor every two years. Its report is issued under separate cover and available at 2401 Colonial Drive, 3rd Floor, PO Box 200506, Helena, MT 59620-0506.

State Compensation Insurance Fund (New and Old) (Proprietary Fund Type) - The Fund is a quasi-governmental corporation governed by a board appointed by the Governor. The Fund provides workers compensation insurance. The Fund consists of two separate entities, the New Fund and the Old Fund. The New Fund covers claims incurred after June 30, 1990, and is financed by member (employer) premiums. The Old Fund covers claims incurred before July 1, 1990. In 1999, the 56th Legislature determined that the Old Fund was adequately funded and discontinued the Old Fund Liability Tax. Administrative operations and budgets are reviewed by the Governor and the legislature. The Fund is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 5 South Last Chance Gulch, Helena, MT 59601.

Teachers Retirement System (Pension Trust Fund) - This retirement system is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump sum payments to members of Montana's public teaching profession. The administrative costs of the Teachers Retirement System are paid from investment earnings of the Fund. The System is funded from employer and employee contributions and investment earnings. The system is audited annually by the Legislative Auditor. Its report is issued under separate cover and is available at 1500 Sixth Avenue, PO Box 200139, Helena, MT 59620-0139.

Public Employees Retirement Board (Pension Trust Funds/Expendable Trust Funds) - The Board, appointed by the Governor, administers eight separate retirement systems for the purpose of providing retirement, disability, death and lump sum payments to each system member. These legally separate entities include the Public Employees, the Municipal Police Officers, the Game Wardens and Peace Officers, the Sheriffs, the Judges, the Highway Patrol

Officers and the Firefighters Unified Retirement Systems, as well as the Volunteer Firefighters Compensation Act. As of July 1, 1999, the Board also administers the State of Montana Deferred Compensation Program.

The Public Employees Retirement System (PERS) is funded from employer and employee contributions and investment earnings. The PERS also accounts for the administrative costs, paid from investment earnings, of the system. The Municipal Police Officers Retirement System is funded from member, state and city contributions. The Game Wardens and Peace Officers Retirement System is funded by employer and employee contributions. The Sheriffs Retirement System is funded by member and county contributions. The Judges Retirement System is funded by member and state contributions. The Highway Patrol Officers Retirement System is funded by member and state contributions. The Firefighters Unified Retirement System is funded by employer and employee contributions as well as a portion of insurance premium taxes collected by the State. The Volunteer Firefighters Compensation Act is funded by contributions by the State of a percentage of fire insurance premium taxes collected. The State of Montana Deferred Compensation Program is funded from member contributions.

The Board is a discretely presented component unit Pension Trust Fund for the eight separate retirement systems and an Expendable Trust Fund for the Deferred Compensation Program that is audited annually by the Legislative Audit Division. Its report is issued under separate cover and is available at 100 N Park, PO Box 200131, Helena, MT 59620-0131.

Universities and Colleges (Higher Education Funds) - The State Board of Regents has responsibility for the following institutions: University of Montana-Missoula and the units under it including Montana Tech of the University of Montana, Western Montana College of the University of Montana and the Helena College of Technology; and Montana State University-Bozeman and the units under it including Montana State University-Billings, Montana State University-Northern, and the Great Falls College of Technology. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. Individual audit reports are issued by the Legislative Auditor every two years. The reports are issued under separate cover and are available at the Presidents Office on each of the campuses or by contacting the Commissioner of Higher Education, 2500 Broadway, PO Box 203101, Helena, MT 59620.

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private non-profit corporation, and (3) private foundations supporting public education, over which the State exercises neither financial nor administrative control (see Note 18). Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The State's support of local public education systems is reported in the General Fund.

B. Fund Structure - The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Montana are classified into fund categories and account groups as described below:

GOVERNMENTAL FUNDS

General Fund - To account for all governmental financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes (other than expendable trusts or major capital projects).

Debt Service Funds - To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds - To account for resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

PROPRIETARY FUNDS

Enterprise Funds - To account for operations (1) financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs primarily through user charges; or (2) where the legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Internal Service Funds - To account for the financing of goods and services provided by one department or agency to other departments, agencies or other governmental entities on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Pension Trust Funds; (4) Agency Funds, and (5) Investment Trust Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - To account for all fixed assets of the State, except those accounted for in the Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

General Long-Term Obligations Account Group - To account for all long-term obligations of the State, except those accounted for in Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

HIGHER EDUCATION (UNIVERSITY AND COLLEGE) FUNDS

Current Funds

Unrestricted

General Operating - To account for the portion of financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

Designated - To account for those resources associated with general operations which are separately classified in order to accumulate costs recharged to other funds and to identify special activities of educational departments which are supported by supplemental assessments and the receipt and disposition of special supply and facility fees which are approved for collection beyond normal course fees.

Auxiliary - To account for those financial resources devoted to providing essential on-campus services primarily to students, faculty or staff where a fee relating to the service is charged.

Restricted - To account for the portion of financial resources that can be expended only for purposes imposed by sources external to the Board of Regents and the legislature.

Fiduciary Funds

Student Loans - To account for monies, which may be loaned, to students, faculty or staff for purposes related to education, organized research or public services by the higher education units.

Endowments - To account for monies where the principal is available for investment. Investment earnings are to be transferred to (or recorded directly in) appropriate operating funds pursuant to prevailing administrative requirements.

Agency - To account for monies where the State acts in the capacity of a custodian or fiscal agent for individual students, faculty, staff or qualified organizations.

Plant Funds

Unexpended - To account for unexpended resources derived from various sources which are used to finance the acquisition/construction of plant assets and the associated liabilities.

Renewal and Replacement - To account for resources used to provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements.

Retirement of Indebtedness - To account for resources accumulated for interest and principal payments and other debt service charges, including contributions to reserves, relating to plant fund indebtedness.

Investment in Plant - To account for all long-lived assets in the service of the higher education unit as well as all associated liabilities.

C. Basis of Accounting - The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed in the Governmental Funds, Expendable Trust Funds and in the Agency Funds for the purpose of asset and liability recognition. Under the modified accrual basis, revenues are susceptible to accrual and recognized when they are measurable and available to pay current period liabilities. Intergovernmental revenues received as reimbursements are recognized based upon the expenditures incurred. Intergovernmental revenues received but not earned are recorded as deferred revenues. All other revenue including

taxes on coal sales, gas and oil production, individual income and other self-assessed taxes is considered available if due within 60 days of fiscal year-end. Based on historical analysis, a liability has been recognized for collected withholding taxes to be refunded in fiscal year 2001. Expenditures are recognized when the related fund liability is incurred, with the following exceptions:

- (1) principal and interest on long-term debt is recognized when due;
- (2) prepayments are accounted for as expenditures in the period of acquisition; and
- (3) inventory items are considered expenditures when purchased.

All Proprietary, Pension Trust, Investment Trust and Nonexpendable Trust Funds are accounted for on an economic resources measurement focus. This means all assets and liabilities associated with these activities are included on their balance sheets. Operating statements for these funds present increases (revenues) and decreases (expenses) in net total assets.

Proprietary, Pension Trust, Investment Trust, Nonexpendable Trust and Higher Education Funds are maintained and reported on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. In Higher Education Funds, depreciation expense related to plant fund assets is not recorded; summer session student tuition and fee revenues and expenditures are deferred at June 30 and recorded as revenue and expenditures in the succeeding fiscal year. Unbilled receivables of Proprietary and Higher Education Funds are recognized as revenue.

Significant intrafund transactions and balances have been eliminated.

D. Proprietary Activity Accounting and Financial Reporting - Activities accounted for in the States proprietary, non-expendable trust and pension trust funds and proprietary type component units follow GAAP prescribed by the GASB and all Financial Accounting Standards Boards standards issued on or before November 30, 1989. Subsequent to this date, the State accounts for these activities as prescribed by the GASB.

E. Cash/Cash Equivalents - For all funds, except the Housing Authority in the Component Unit Proprietary Funds, cash and cash equivalents consist of funds deposited by individual funds in the State Treasurers pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the State Treasurer, other cash deposits, and mortgage payments in transit (See Note 4).

F. Receivables - This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. The allowance for uncollectible taxes at June 30, 2000, was \$10.6 million.

G. Inventories - Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method should be appropriate for most agencies.

Governmental and Expendable Trust Funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, significant amounts of inventory are shown as a reserve of fund balance, indicating they do not constitute available expendable resources. An exception is the Special Revenue Fund food stamp inventory balance, which is offset by deferred revenue.

Proprietary, Pension Trust, Nonexpendable Trust, Investment Trust and Higher Education Funds report using the "consumption method," meaning inventories are expensed as used.

H. Investments - In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Rule," the State of Montana invests in various types of securities for each portfolio it manages. Certain securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Most investments are reported at fair value in the balance sheet. Investments are reported by type in the disclosure of custodial credit risk for each investment portfolio (See Note 4 on Cash/Cash Equivalents and Investments).

I. Equity in Pooled Investments - The Montana Board of Investments manages the States Unified Investment Program which includes five internal investment pools. Participation in the pools is limited to Expendable Trust Funds; including the Deferred Compensation Plan, Nonexpendable Trust Funds, Pension Trust Funds, Higher Education Endowment and Trust Funds, and specific trusts established within the State Special Revenue Fund. The participants' investments in the pools are reported at fair value in the balance sheet within the individual funds (See Note 4 on Cash/Cash Equivalents and Investments).

J. Fixed Assets - Fixed asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure fixed assets and interest expenditures for general fixed assets are not capitalized. Infrastructure assets of primary government and component unit proprietary activities are capitalized. Interest incurred during the construction of fixed assets for proprietary funds and higher education units is capitalized.

Fixed assets are not depreciated in the General Fixed Assets Account Group. Purchases of such assets are recorded as expenditures in the appropriate governmental fund. Fixed assets in Proprietary, Nonexpendable Trust and Pension Trust Funds are accounted for within their respective funds and are depreciated. Expendable Trust Funds do not report fixed assets within their funds because the assets are purchased by other funds. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 20 years for improvements and 3 to 10 years for equipment. Fixed assets and intangible assets for Higher Education units are accounted for in the Investment in Plant Fund and are not depreciated.

The capitalization threshold for recording fixed assets is \$5,000. Purchases under this threshold are recorded as expenditures/expenses in the current period.

K. Deferred Revenue - Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized.

L. Long-Term Obligations - Long-term obligations expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Capital Leases - A capital lease is generally defined by Statement of Financial Accounting Standards No. 13 Accounting for Leases as one which transfers benefits and risks of ownership to the lessee. Leases meeting the criteria of a capital lease as defined are recorded at inception as expenditures and other financing sources in governmental fund types and as assets and liabilities in the General Fixed Assets and General Long-Term Debt Account Groups, respectively, at the present value of the future minimum lease payments, using the interest rates stated in the leases.

N. Bond Discounts/Premiums/Issuance Costs - In governmental funds, bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond proceeds are reported as an other financing source net of any premium or discount. Issuance costs are reported as debt service expenditures whether or not they are withheld from the net bond proceeds. In proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds, which approximates the effective interest method. Bonds payable are recorded net of any applicable premium or discount while issuance costs are reported as deferred charges.

O. Compensated Absences - Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the state do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 40 hours of sick leave to a nonrefundable sick leave pool. For fiscal year 2000, 1,292 hours were contributed to the sick leave pool and 1,446 hours were withdrawn leaving a balance of 3,774 hours in the pool. No liability is reported in the accompanying financial statements because these hours are nonrefundable to participants except by grants approved through an application process.

Vested or accumulated leave of Proprietary and Pension Trust Funds is recorded as an expense and liability of those funds; for higher education the expense and liability is recorded in the current unrestricted funds as the benefits accrue to employees. The liability amount recorded in the General Long-Term Obligations Account Group is not expected to be liquidated with expendable financial resources, thus no expenditure or liability is reported in the governmental funds. Upon retirement or termination, an employee is paid for 100 percent of unused vacation leave and 25 percent of unused sick leave.

As of June 30, 2000, the State's liability for unused vacation and sick leave for Higher Education Funds was \$33,896,891. The leave liabilities for the remaining agencies at June 30, 2000, were \$61,486,000, an increase of

\$5,263,000 over the June 30, 1999, leave liability of \$56,223,000. The following table reflects the change (in thousands):

| | Balance July 1, 1999 | Leave Earned | Leave Used | Balance June 30, 2000 |
|---|-------------------------|-----------------|---------------|--------------------------|
| Primary Government | | | | |
| Governmental Fund Types and Similar Trust Funds | \$50,941 | \$31,890 | \$27,951 | \$54,880 |
| Proprietary Fund Types and Similar Trust Funds | 4,137 | 3,725 | 2,579 | 5,283 |
| Total | \$55,078 | \$35,615 | \$30,530 | \$60,163 |
| Component Units | | | | |
| Proprietary Fund Types and Similar Trust Funds | 1,145 | 829 | 651 | 1,323 |
| Total Non-Higher Education Funds | \$56,223 | \$36,444 | \$31,181 | \$61,486 |

P. Encumbrances - The State utilizes encumbrance accounting to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end represent the estimated amount of expenditures likely to result if orders for goods and services are completed. In governmental funds, encumbrances outstanding at year-end are reported as reservations of fund balances since they do not represent expenditures or liabilities.

Q. Advances to Other Funds - Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources. The transaction is recognized by the receiving fund in the balance sheet account AAdvance From Other Funds.

R. Fund Equity - Contributed capital is recorded in proprietary funds that have received capital from other funds. Reservations represent those portions of fund equity or retained earnings not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for the future use of financial resources. In FY2000 the General Fund designated fund balance represents the 1999 Legislature's desire to set aside \$30 million in tobacco settlement funds for revenue stabilization. Undesignated fund balances indicate that portion of fund equity that is available for budgeting in future years subject to working capital requirements.

S. Property Taxes - Real property taxes are levied in October and are payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due. The State recognizes property tax revenues as available if they are collectible within 60 days after fiscal year-end. Material delinquent and total uncollected current year property taxes receivable are recorded in receivables (net of uncollectibles).

Personal property tax levies are set each August and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Personal property taxes attach as an enforceable lien immediately if not paid when due. Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

T. Other Taxes - On the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for All Governmental Fund Types and Expendable Trust Funds, the revenue category "Other Taxes" consists of the following taxes (in thousands):

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total |
|---------------------------|-----------------|----------------------------|-----------------------------|-----------|
| Video Gaming | \$ 13,928 | \$27,585 | \$ - | \$ 41,513 |
| Insurance Premium | 37,840 | 14 | - | 37,854 |
| Inheritance | 19,039 | - | - | 19,039 |
| University System Millage | 995 | 13,189 | - | 14,184 |
| Cigarette/Tobacco | 10,498 | 1,491 | 1,837 | 13,826 |
| Accommodations | 43 | 11,072 | - | 11,115 |
| Telephone License | 9,452 | - | - | 9,452 |
| Alcoholic Beverage | 1,386 | 4,020 | - | 5,406 |
| Electrical Energy | 5,496 | - | - | 5,496 |
| Public Contractor | 2,162 | - | - | 2,162 |
| Livestock | - | 3,010 | - | 3,010 |
| Public Service Commission | - | 2,291 | - | 2,291 |
| Freight Line | 2,101 | - | - | 2,101 |

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total |
|--------------------------|------------------|----------------------------|-----------------------------|------------------|
| Fire Protection | - | 2,151 | - | 2,151 |
| Wheat Sales | - | 1,466 | - | 1,466 |
| Vehicle | - | 1,513 | - | 1,513 |
| Consumer Counsel | - | 949 | - | 949 |
| Miscellaneous | 142 | 1,088 | - | 1,230 |
| Total Other Taxes | \$103,082 | \$69,839 | \$1,837 | \$174,758 |

2. BUDGETARY REPORTING

A. State Budget Process - The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The constitution requires that legislative appropriations not exceed available revenues. The legislature utilizes revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budgeted appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the General, Special Revenue and Capital Projects Funds, except for those Special Revenue Funds from nonstate and nonfederal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except Capital Project Funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor and the Legislative Fiscal Division. The Governor and budget director establish priorities and balance the budget. The Governor's budget is submitted to the Legislative Fiscal Division which prepares recommendations. A comparison of those recommendations with the Governor's budget is submitted to the legislature. Joint appropriations subcommittee hearings are held and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. The Office of Budget and Program Planning establishes appropriations for each program by accounting entity (fund) within an agency. The legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the legislature may authorize supplemental appropriations. The Governor, or his designee, may approve budget amendments for non-general fund monies not available for consideration by the legislature and for emergencies. In the accompanying financial statements, reported budget amounts are as amended. There have been budget amendments authorized for fiscal year 2000 that were material to specific budgets, however, they did not materially affect the States budget as a whole. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the legislature or the Governor's office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued/encumbered. Fund balances/retained earnings are not reserved for reverted appropriations. For fiscal year 2000, reverted appropriations for all funds were \$410.8 million of which \$24.1 million were for the General Fund and \$377.3 million were for the Special Revenue Fund. Agencies are able to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of the budget office.

Appropriations for Capital Projects Funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

B. Budget Basis - The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in Proprietary Funds; compensated absences and inventories purchased in Higher Education Funds; certain loans from governmental funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.). The General and Special Revenue Fund Type budgetary statement includes a reconciliation of unreserved fund balance between "Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses" on the budgetary basis and the GAAP basis.

3. OTHER ACCOUNTING ISSUES

A. Accounting and Reporting Changes - The State made changes in its accounting and reporting practices to enhance conformance with GAAP. All changes reported in the accompanying financial statements that resulted in the restatement of beginning fund equity were made to correct errors of prior periods.

B. State Compensation Insurance Fund - The workers compensation benefit/claims expenditure amount (in thousands) of \$69,749 reported in the component unit's column in the combined proprietary fund operating statement consists of the amount of benefits paid and the actuarially determined change in estimated claims liability for the State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). The amounts for each fund are broken down as follows:

| | <u>State Compensation Insurance</u> | |
|---|-------------------------------------|-----------------|
| | <u>New Fund</u> | <u>Old Fund</u> |
| Benefit and Loss Adjustment Expense | \$57,047 | \$ 13,421 |
| Incr (Decr) in Actuarially Estimated Claims | 11,400 | (12,119) |
| Total Benefits/Claims | \$68,447 | \$ 1,302 |

4. CASH/CASH EQUIVALENTS AND INVESTMENTS

This footnote details the following balance sheet classifications (in thousands):

| | |
|------------------------------|-------------|
| Cash/Cash Equivalents | \$1,617,616 |
| Equity in Pooled Investments | \$6,283,662 |
| Investments | \$1,657,756 |

Carrying amounts and fair values (Bank Balance for Cash Deposits) for the State's cash/cash equivalents and investments are presented in Tables 1 through 4.

A. General

(1) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurers pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurers pooled cash account is invested by the Montana Board of Investments (BOI) in short term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. In addition to the State Treasurers pooled cash account there is a short term investment pool (STIP) maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. Because these pooled funds are invested in short term, highly liquid investments, the individual funds investments in the STIP are reported as a cash equivalent.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, the BOI has as policy that STIP will, and does, operate in a manner consistent with the SECs rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. Investments held are reported at fair value, annually, and the difference between amortized cost and fair value is reflected as an unrealized gain or loss in the investments managed. The portfolio is carried at amortized cost or book value. State agencies that are allowed to retain their investment earnings within their funds are only allowed to invest in STIP. Local government participation in STIP is also voluntary. Separately issued external investment pool financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

Deposits with financial institutions are categorized to indicate the level of risk assumed by the State. **Category 1** consists of deposits that are insured or collateralized with securities held by the State or by its agent in the State's name. **Category 2** consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. **Category 3** deposits are uncollateralized. The State's Cash Deposits are categorized in Table 1.

The State's cash equivalents and investments are categorized to indicate the risk level assumed by the State in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments and Table 4 - Investments to disclose the level of risk assumed by the State at fiscal year-end.

Category 1 includes investments that are insured or registered securities held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments in which the securities are held by the counter party's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments in which the securities are held by the counter party, or by its trust department or agent, but not in the State's name. None of the State's cash equivalents or investments are classified in Category 3 at fiscal year-end. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

(2) The State invests in certain types of securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks (convertible equity securities), and mortgage-backed securities in addition to other long term investment securities to provide a diversified investment portfolio and an overall competitive rate of return. All securities are reported by investment portfolio and type in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments, and Table 4 - Investments.

Asset-backed securities represent debt securities collateralized by a pool of non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. These securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar non asset-backed securities.

Variable-rate instruments pay a variable rate of interest until maturity. The variable rate floats with the 91 day treasury bill or the London Interbank Offered Rate (LIBOR). Variable-rate instruments have credit risk identical to similar fixed-rate securities; however, their market risk (income) is more sensitive to interest rate changes. Their market risk (value/price) may be less volatile than fixed-rate securities because their value will usually remain near par as a result of interest rates being periodically reset to maintain a current market yield.

Zero Coupon Bonds and Preferred Stocks include securities whose structure differs from the basic convertible security structure. These include PENs (Participating Equity Notes), PERCs (Preferred Equity Redemption Coupons), DECS (Dividend Enhanced Common Stock) and ACES (Automatically Convertible Equity Securities). PENs are corporate bonds offering the investor a choice at maturity of receiving the greater of the bond's par value or the value of a preset ratio of an established index. PERCs reflect an investor's acceptance of a cap in a security's price appreciation in exchange for a higher income yield. DECS and ACES are issued, and traded, at a premium to the underlying common stock in exchange for a higher dividend yield. The State's investment policy requires convertible debt and zero coupon bonds to be rated at a specific level at time of purchase as a credit risk control measure. These securities carry market risk and the potential for change in market value. Market value changes may occur due to interest rate changes, declines in the value of underlying common stock, or the triggering of a call feature and other factors.

Mortgage-backed securities reflect participation in a pool of residential mortgages. These securities include structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). Some REMICs are principal-only strips (POS) and interest-only strips (IOS). These securities are based on the cash flows from the principal and interest payments on underlying mortgages, respectively. These securities have credit risk as measured by major credit rating services. The State's investment policy requires these investments to be rated investment grade at the time of purchase. Market risk for these securities is caused by changes in the price or principal value of the securities due to changes in interest rates.

There are no legal risks, as of June 30, 2000, that the State is aware of regarding any investments.

(3) Under the provisions of State statutes, the State has, via a Securities Lending Authorization Agreement, authorized the State's agent to lend the States securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the State receives a fee and the agent must initially receive collateral equal to 102% - 105% of the fair value of the securities on loan and maintain collateral equal to not less than 100% of the fair value of the loaned security. During fiscal year 2000, the States agent loaned, on behalf of the State, certain securities held by the agent, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. The States agent does not have the ability to pledge or sell collateral securities unless the borrower defaults. The State retains all rights and risks of ownership for the loaned securities. On June 30, 2000, the State had no credit risk exposure to borrowers.

B. Cash/Cash Equivalents

(1) **Cash Deposits** - The State requires collateralization based on the average daily bank balance in the depository bank holding the main State bank account. For other depository banks, State statutes require collateralization at 50% of the bank balance. The Cash Deposit amounts include both Primary Government and Component Unit deposits.

Table 1 - Cash Deposits (in Thousands)

| Risk Category | | Carrying Amount | Bank Balance | Fund |
|----------------------------|--|------------------|--------------|---------|
| 1 | Insured (FDIC) | \$ 1,514 | \$ 1,514 | Various |
| | Collateral held by State/State's agent | 28,726 | 28,726 | Various |
| 2 | | 5,321 | 5,321 | Various |
| 3 | | 4,262 | 4,262 | Various |
| Uncategorized: | | | | |
| | Undeposited Cash | 1,417 | | |
| | Cash in U.S. Treasury | 170,099 | | |
| | Less: Outstanding Warrants | (54,973) | | |
| Total Cash Deposits | | \$156,366 | | |

As of June 30, 2000, the carrying amount of deposits for component units was \$48,945,155 and the bank balance was \$48,362,547. Of the bank balance, \$48,000,061 was fully insured or collateralized with securities held by the component units or their agents in the unit's name and \$362,486 was collateralized with securities held by the pledging institution's trust department or its agent in the respective component unit's name.

(2) **Cash Equivalents** - consists of cash in the State Treasury invested by individual funds in the Short Term Investment Pool (STIP) and the Treasurers Cash Pool in identifiable securities and investments considered to be cash equivalents. Cash equivalents, except for the Housing Authority in the Component Unit Proprietary Fund, generally are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the State Treasurer, other cash deposits, and mortgage payments in transit. Cash equivalents may be under the control of the Board of Investments (the Board) or other agencies, as allowed by law.

Table 2 - Cash Equivalents (in Thousands)

| | Risk Category 1 | | Not* Categorized | Carrying Amount | Fair Value | Fund |
|--|------------------------------|--|---------------------|--------------------|--------------------|---------|
| | Securities Not on Loan | On Loan for* Securities Collateral | | | | |
| Asset-Backed Securities | \$381,789 | \$ - | \$ - | \$ 381,789 | \$ 381,865 | Various |
| Corporate Obligations | 762,776 | - | 99 | 762,875 | 762,235 | Various |
| Government Securities | 164,564 | 10,182 | - | 174,746 | 173,758 | Various |
| Repurchase Agreements | 52,000 | - | - | 52,000 | 52,000 | Various |
| Variable-Rate | 61,926 | - | - | 61,926 | 61,926 | Various |
| Direct Investments: | | | | | | |
| Money Markets | | | | 26,801 | 26,801 | Various |
| Guaranteed Investment Contracts | | | | 1,082 | 1,082 | Various |
| Total Cash Equivalents | | | | \$1,461,219 | \$1,459,667 | |
| Securities Lending Collateral Investment Pool | | | \$ 104 | \$ 104 | \$ 104 | |

* At June 30, 2000, the underlying securities, with fair values of \$99,204 and \$9,964,100, respectively, were loaned for securities and cash collateral under a security lending agreement with the States agent.

As of June 30, 2000, local governments invested \$481,726,556 in the STIP.

As of June 30, 2000, component units of the State of Montana had investments in cash equivalents with a book value and fair value of \$223,901,961.

C. Equity in Pooled Investments - Consists of investments held by pooled investment funds. The Montana Stock Pool (MTCP), Trust Funds Bond Pool (TFBP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP), and Montana Real Estate Pool (MTRP) were created to allow qualifying funds to participate in diversified investment pools. Participation is restricted to expendable trust, nonexpendable trust, pension trust, higher education endowment and trust funds, the Deferred Compensation Plan and specific trusts established within the state special revenue fund. Purchases are subject to statutory restrictions for quality and size of holdings.

Table 3 - Equity In Pooled Investments (in Thousands)

| | Risk Category 1 | | | | |
|---|------------------------------|---|---------------------|--------------------|--------------------|
| | Securities Not on Loan | On Loan for Securities Collateral* | Not Categorized* | Carrying Amount | Fair Value |
| MTCP: | | | | | |
| Corporate Stocks | \$1,658,856 | \$ - | \$ 14,957 | \$1,673,813 | \$2,804,462 |
| TFBP: | | | | | |
| Corporate Asset Backed | 12,882 | - | - | 12,882 | 13,004 |
| Corporate Stocks | 657,288 | - | 7,480 | 664,768 | 628,399 |
| US Govt. Mortgage Backed | 28,752 | - | - | 28,752 | 27,972 |
| US Govt. Direct | 98,105 | - | 147,524 | 245,629 | 251,492 |
| Yankee Bonds | 99,255 | - | - | 99,255 | 92,287 |
| State and Local Government | 25,554 | - | - | 25,554 | 25,557 |
| RFBP: | | | | | |
| Corporate Asset Backed | 8,041 | - | - | 8,041 | 8,092 |
| Corporate Stocks | 1,126,637 | - | 14,961 | 1,141,598 | 1,076,370 |
| US Govt. Mortgage Backed | 62,506 | - | - | 62,506 | 61,865 |
| US Govt. Direct | 205,058 | 1,057 | 243,726 | 449,841 | 463,224 |
| Yankee Bonds | 136,629 | - | 2,000 | 138,629 | 129,057 |
| State and Local Government | 3,650 | - | - | 3,650 | 3,650 |
| MTIP: | | | | | |
| BOI Internal International | 79,787 | - | 33,985 | 113,772 | 149,448 |
| Pyford International | 64,069 | 713 | 4,646 | 69,428 | 66,508 |
| Schroder Capital Management | 76,942 | - | 6,670 | 83,612 | 103,160 |
| SG Pacific Asset Management | 73,043 | 501 | 8,091 | 81,635 | 96,999 |
| MTRP: | | | | | |
| Corporate Stocks | 108,691 | - | 13,942 | 122,633 | 129,940 |
| Total Pooled Investments | 4,525,745 | 2,271 | 497,982 | 5,025,998 | 6,131,486 |
| Other Pool Assets (Net) | - | - | - | 152,177 | 152,177 |
| Total - Equity In Pooled Investments | \$4,525,745 | \$2,271 | \$497,982 | \$5,178,175 | \$6,283,663 |
| Securities Lending Collateral Investment Pool | | | \$573,082 | \$ 573,082 | \$ 573,082 |

* At June 30, 2000, these underlying securities, with fair values of \$2,376,727 and \$553,402,560, respectively, were loaned for securities and cash under a security lending agreement with the State's agent.

As of June 30, 2000, component units of the State of Montana had equity in pooled investments with a book value of \$3,012,803,528 and a fair value of \$5,186,262,511.

D. Investments - Long-term investments are primarily administered by three state agencies. Article 8 of Montana's Constitution, with supporting statutes, authorizes the Board of Investments (BOI) to manage the State's unified investment program. State law specifies which agencies may hold investments outside the administration of the BOI. The BOI, as the State's primary administrator of long-term investments, actively manages 80% of those investments; the Board of Housing, 11%; and the Department of Administration's Public Employees Retirement Board, 8% for the State's Deferred Compensation Plan. Additionally, the Department of Natural Resources and Conservation manages 1% of total investments for bond related activities.

The BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented in the Balance Sheet at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the BOI's custodial bank or trustee. Amortized cost, or carrying value, represents the original cost adjusted for premium and discount amortization where applicable.

The BOI continued to invest in leveraged buyouts and venture capital in fiscal year 2000. The BOI's total leveraged buyout commitment, administered by Kohlberg, Kravis, Roberts and Companies, amounts to \$125,000,000. The leveraged buyout invested balance for the pension funds amounted to \$100,604,314 on June 30, 2000.

For the purpose of portfolio diversification, the BOI has committed \$123,000,000 for venture capital investments administered by Brinson Partners. The June 30, 2000, venture capital invested balance totaled \$20,571,833 for the Teachers Retirement and \$25,143,323 for the Public Employees Retirement systems.

On August 10, 2000, the BOI approved a \$35,000,000 commitment to invest in the Brinson Partnership Fund – US2001 Subscription.

In March 2000, the BOI committed to invest \$250,000,000, to be funded over a two-year period, in the S & P 500 Equity Index Fund managed by Barclays Global Investors. The \$15,000,000 per month investment began in May 2000. As of June 30, 2000, the pension funds had an invested balance of \$45,000,000.

Table 4 – Investments (Risk Categories) (in Thousands)

| | Risk Category 1 | | | | |
|----------------------------|------------------------|-------------------|---------------------|-------------------|-------------------|
| | Securities | Risk | Not | Carrying | Fair |
| | Not on Loan | Category 2 | Categorized* | Amount | Value |
| Primary Government | | | | | |
| Corporate Bonds | \$ 82,348 | \$ - | \$ 1,763 | \$ 84,111 | \$ 80,051 |
| Corporate Asset-Backed | 69,547 | - | - | 69,547 | 68,914 |
| Government Securities | 87,504 | - | 17,743 | 105,247 | 102,911 |
| Government Mortgage-Backed | 20,686 | - | - | 20,686 | 19,626 |
| Other | 8,842 | - | 171 | 9,013 | 8,611 |
| Total | \$ 268,927 | \$ - | \$ 19,677 | \$ 288,604 | \$ 280,113 |
| Component Units | | | | | |
| Corporate Bonds | \$193,418 | \$ - | \$ 329 | \$ 193,747 | \$ 186,823 |
| Corporate Asset-Backed | 41,385 | - | - | 41,385 | 41,052 |
| Government Securities | 37,784 | 49,882 | 100,813 | 188,479 | 188,892 |
| Government Mortgage-Backed | 34,842 | - | - | 34,842 | 33,549 |
| Other | 18,945 | 120,179 | - | 139,124 | 138,444 |
| Total | 326,374 | 170,061 | 101,142 | 597,577 | 588,760 |
| Total | \$595,301 | \$170,061 | \$120,819 | \$ 886,181 | \$ 868,873 |

Direct Investments:

Primary Government

| | | |
|------------------|------------|------------|
| Commercial Loans | 128,022 | 128,022 |
| Total | \$ 128,022 | \$ 128,022 |

Component Units

| | | |
|-----------------------|-----------|-----------|
| Real Estate | \$ 11,738 | \$ 13,202 |
| Mortgages | 261,705 | 248,852 |
| Deferred Compensation | 123,554 | 135,666 |
| Other | 192,698 | 263,578 |
| Total | 589,695 | 661,298 |

Total Investments

| | | |
|-------------------------------|-------------|-------------|
| Securities Lending Collateral | \$1,603,898 | \$1,658,193 |
| Investment Pool | \$126,357 | \$ 126,357 |

* At June 30, 2000, the underlying securities, with fair values of \$111,876,994 were loaned for cash collateral under a security lending agreement with the State's agent.

5. FIXED ASSETS

Changes in fixed asset balances for the fiscal year ended June 30, 2000, are reflected in the following table (Intrafund transfers of fixed assets have not been eliminated) (in thousands):

Primary Government

| | Balance July 1, 1999 | Additions/ Transfers | Deletions/ Transfers | Balance June 30, 2000 |
|---------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| <u>Proprietary Funds</u> | | | | |
| Land | \$ 1,036 | \$ - | \$ - | \$ 1,036 |
| Buildings/Improvements | 6,045 | 495 | 667 | 5,873 |
| Equipment | 133,925 | 33,405 | 24,297 | 143,033 |
| Other Fixed Assets | 1,147 | - | - | 1,147 |
| Construction in Progress | 1,527 | 4,082 | 352 | 5,257 |
| Subtotal/Total | 143,680 | \$37,982 | \$25,316 | 156,346 |
| Accumulated Depreciation | (75,962) | | | (82,401) |
| Total | \$ 67,718 | | | \$ 73,945 |

Nonexpendable Trust Funds

| | | | | |
|-------|-----------|------|------|-----------|
| Land | \$ 51,260 | \$ - | \$ - | \$ 51,260 |
| Total | \$ 51,260 | \$ 1 | \$ - | \$ 51,261 |

General Fixed Assets Account Group

| | | | | |
|--------------------------|-----------|------------|----------|-----------|
| Land | \$ 62,186 | \$ 4,131 | \$ 50 | \$ 66,267 |
| Buildings/Improvements | 328,806 | 66,262 | 8,779 | 386,289 |
| Equipment | 63,478 | 8,781 | 7,781 | 64,478 |
| Other Fixed Assets | 49,650 | 15,664 | 155 | 65,159 |
| Construction in Progress | 38,134 | 34,620 | 5,238 | 67,516 |
| Total | \$542,254 | \$ 129,458 | \$22,003 | \$649,709 |

Component Units

Proprietary Funds

| | | | | |
|--------------------------|----------|--------|--------|----------|
| Equipment | \$ 2,658 | \$ 642 | \$ 556 | \$ 2,744 |
| Accumulated Depreciation | (1,543) | | | (1,508) |
| Total | \$ 1,115 | | | \$ 1,236 |

Pension Trust Fund

| | | | | |
|--------------------------|--------|------|------|--------|
| Land | \$ 60 | \$ - | \$ - | \$ 60 |
| Buildings/Improvements | 435 | - | - | 435 |
| Equipment | 152 | - | - | 152 |
| Subtotal/Total | 647 | \$ - | \$ - | 647 |
| Accumulated Depreciation | (370) | | | (399) |
| Total | \$ 277 | | | \$ 248 |

Higher Education Funds

| | | | | |
|--------------------------|-----------|----------|----------|-----------|
| Land | \$ 13,511 | \$ 217 | \$ - | \$ 13,728 |
| Buildings/Improvements | 503,493 | 56,693 | 33,231 | 526,955 |
| Equipment | 100,797 | 13,299 | 2,872 | 111,224 |
| Other Fixed Assets | 88,216 | 3,437 | 379 | 91,274 |
| Construction in Progress | 67,921 | 18,612 | 56,145 | 30,388 |
| Intangible Assets | 3,271 | 206 | - | 3,477 |
| Total | \$777,209 | \$92,464 | \$92,627 | \$777,046 |

6. RETIREMENT SYSTEMS

DEFINED CONTRIBUTION PLAN

Effective January 1, 1988 through June 30, 1993, eligible employees of the Montana University System (MUS) could elect to participate in the Optional Retirement Program (ORP). The ORP is a defined contribution retirement plan governed by Title 19, chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and only faculty and staff with contracts under the authority of the Board of Regents may participate. Those faculty and staff members who did not elect the ORP participate in the Teachers Retirement System, a defined benefit plan discussed in the next section. Beginning July 1, 1993, membership in the ORP is mandatory for eligible employees new to the MUS. The MUS is the only employer contributing to this plan.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. Higher education units record employee/employer contribution expenditures in the affected higher education subfund when remitting contributions to the Commissioner of Higher Education. These monies are recorded in the Custodial Accounts Agency Fund. The Commissioner's Office then wire transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF. As of June 30, 2000, 1,859 employees are members of the ORP. Required employee contributions are 7.15% of salary and required employer contributions are 4.85% of salary for a total of 12% of salary contributed to the ORP.

| TIAA-CREF (in Thousands) | |
|-----------------------------|-----------|
| Covered Payroll | \$ 86,649 |
| Total Payroll | 230,181 |
| Employer Contributions | \$ 4,138 |
| Percent of Covered Payroll | 4.775% |
| Employee Contributions | \$ 6,100 |
| Percent of Covered Payroll | 7.04% |

DEFINED BENEFIT PLANS

A. General

The Public Employees Retirement Board, a discretely presented component unit of the State of Montana, administers eight defined benefit plans - Public Employees Retirement System (PERS), Highway Patrol Officers Retirement System (HPORS), Judges Retirement System (JRS), Game Wardens and Peace Officers Retirement System (GWPORS), Sheriffs Retirement System (SRS), Municipal Police Officers Retirement System (MPORS), Firefighters Unified Retirement System (FURS), and Volunteer Firefighters Compensation Act (VFCA). The board prepares a publicly issued financial report that includes financial statements and required supplementary information for PERS, HPORS, JRS, GWPORS, SRS, MPORS, FURS, and VFCA.

The Teachers Retirement System (TRS) is a discretely presented component unit of the State of Montana. The system prepares a publicly issued financial report that includes financial statements and required supplementary information for TRS.

A summary of government employers participating in PERS, SRS, MPORS, HPORS, FURS, GWPORS, JRS and TRS by employer type at June 30, 2000, follows:

| | Retirement System | | | | | | | |
|-----------------------|-------------------|-----------|-----------|----------|-----------|----------|----------|------------|
| | PERS | SRS | MPORS | HPORS | FURS | GWPORS | JRS | TRS |
| Employers | | | | | | | | |
| State Agencies | 34 | 1 | | 1 | | 5 | 1 | 7 |
| Counties | 55 | 55 | | | | | | |
| Cities/Towns | 90 | | 21 | | 14 | | | |
| Colleges/Universities | 5 | | | | | 3 | | 12 |
| School Districts | 238 | | | | | | | 388 |
| Other | 84 | | | | | | | |
| Total | 506 | 56 | 21 | 1 | 14 | 8 | 1 | 407 |

B. Plan Descriptions

The State contributes to and/or administers nine plans in four categories: (1) the State as the single employer; (2) the State as an employer contributor to cost-sharing multiple-employer plans; (3) the State as a nonemployer contributor to cost-sharing multiple employer plans; and (4) the State as a nonemployer contributor.

The number of years required to obtain vested rights varies among the systems. All systems provide early retirement options, death benefits, termination and disability benefits. The post-retirement benefits of each of the systems are included in the plan descriptions below. In addition, the 1997 Legislature passed a guaranteed annual benefit adjustment (GABA) to the PERS, MPORS, GWPORS, SRS, JRS, HPORS, and FURS that will provide a benefit increase of 1.5% each January, beginning January 1998, if the recipient has been receiving a retirement benefit for at least 36 months. In addition, MPORS, JRS, HPORS & FURS members hired prior to July 1, 1997, and retirees of these systems, were required to make an election by December 31, 1997, for GABA coverage.

The funding policies for each system provide for periodic employer and employee contributions (except VFCA) at rates specified by state law; contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirement in a biennial actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the entry age normal cost method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost in addition to amortizing the unfunded liability over a period not to exceed 30 years.

(1) State as the Single Employer

HPORS - Highway Patrol Officers Retirement System - This system, established in 1971 and governed by Title 19, chapters 2 & 6 of the Montana Code Annotated (MCA), provides retirement benefits for all members of the Montana Highway Patrol, including supervisory personnel. Rights are vested after five years of service. Member contributions are 9% of total salaries of active highway patrol officers hired prior to July 1, 1997 and not electing GABA coverage; and 9.05% for members hired after June 30, 1997 and members electing GABA coverage. The employer contribution rate is 36.33% of active officers salaries. For members hired on or before July 1, 1985, there is no minimum age, but minimum service is 20 years for benefit eligibility. A member hired after July 1, 1985, must be 50 years old and have 20 years of creditable service for benefit eligibility. The service retirement benefit is based on a formula of 2.5% times the number of years of service times the final average salary. Post-retirement benefits, for non-GABA members, are in the form of minimum benefit supplements which ensure the retiree's benefit is no less than 2% of a probationary highway patrol officer's salary for each year of the retiree's service, with the annual increase not to exceed 5% of the benefit nor 60% of the current base salary of a probationary officer. Members retired prior to July 1, 1991, who are at least age 55 and have been retired a minimum of five years, may be eligible for an annual lump sum payment distributed in September. This lump sum payment is funded by a registration fee of 25 cents per vehicle license. The average payment in fiscal year 2000 was \$2,099. This enhancement is limited to non-GABA members.

JRS - Judges Retirement System - This system, established in 1967 and governed by Title 19, chapters 2 & 5 of the MCA, provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge. Members contribute 7% of their salaries and the State contributes 25.81% of active judges' salaries. Rights are vested after five years of creditable service. For benefit eligibility, minimum service is five years and the minimum age is 65. The monthly retirement benefit formula is 3 1/3% per year of the member's final average salary for the first 15 years of credited service, plus 1.785% per year for each year of credited service after 15 years. For non-GABA members, the percentages are based on the member's current salary, instead of the final average salary.

(2) State as an Employer Contributor to Cost-Sharing Multiple-Employer Systems

PERS - Public Employees Retirement System - This mandatory system, established in 1945 and governed by Title 19, chapters 2 & 3 of the MCA, provides retirement benefits to substantially all public employees not covered by another public system. Member contributions were 6.9% of covered compensation for fiscal year 2000. Each state agency and university system employer contributed 6.9% of PERS covered payroll during fiscal year 2000. Participating local governments and school district employers contributed 6.8% of PERS covered payroll. The State contributed 0.1% for local governments and school district employers from the state general fund. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking the greater of: (1) 1.785% times the number of years of service times the final average salary times any early retirement reduction if necessary or (2) a monthly annuity that is the actuarial equivalent of twice the member's accumulated regular contributions plus interest earned. Members' rights are vested after five years of service.

TRS - Teachers Retirement System - This mandatory system, established in 1937 and governed by Title 19, chapter 20 of the MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the university system. Member and employer contributions are 7.15% and 7.47%, respectively, of earned compensation. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for annual benefits is 1.6667% times creditable service years times the

average final compensation. Rights are vested after five years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Effective January 1, 1988, university system employees eligible to participate in the Teachers Retirement System could elect to participate in an Optional Retirement Plan established by the Board of Regents. A supplemental employer contribution to TRS is required to be amortized by July 1, 2003, the amount that would not be paid for by contributions of university system members. The fiscal year 2000 contribution percentage of the total compensation of employees participating in the ORP program is 3.42% and the contribution was \$2.5 million. The unfunded actuarial accrued liability of \$400.8 million is included in the Schedules of Funding Progress.

SRS - Sheriffs Retirement System - This system, established in 1974 and governed by Title 19, chapters 2 & 7 of the MCA, covers all sheriffs and State Department of Justice investigators hired after July 1, 1993. The member contribution is 9.245% of salary; the employer contribution is 9.535% of salary. Minimum years of service for normal service retirement eligibility are 20. The service retirement benefit is calculated at 2.5% of the final average salary for each year of creditable service. Reduced benefits for early retirement may be taken with a minimum of five years of service and a minimum age of 50. Rights are vested after five years of service.

GWPORS - Game Wardens & Peace Officers Retirement System - This system, established in 1963 and governed by Title 19, chapters 2 & 8 of the MCA, provides retirement benefits for all persons employed as a game warden, warden supervisory personnel and state peace officers not eligible to join the SRS, HPORS and MPORS systems. The member contributes 8.5% of salary and the State contributes 9.0% of covered active employee salaries. For benefit eligibility, minimum age is 50 and minimum years of service are 20. If subject to involuntary termination, a member may retire with five years of service at age 55. The yearly retirement benefit formula is 2% times the number of years of service times the final average salary. Rights are vested after five years of service. PERS members who are hired into a position covered by the GWPORS have 30 days to elect membership in the GWPORS or remain in PERS.

(3) State as a Nonemployer Contributor to Cost-Sharing Multiple-Employer Systems

MPORS - Municipal Police Officers Retirement System - The system, established in 1974 and governed by Title 19, chapters 2 & 9 of the MCA, covers all municipal police officers of cities covered by the plan. It is a cost-sharing plan with a special funding situation. The member contribution is 7.8% of salary for members employed prior to July 1, 1975; 9% of salary for members employed after June 30, 1975, and prior to July 1, 1979; 10.5% of salary for members employed after June 30, 1979 and prior to July 1, 1997; and 11% for members hired on or after July 1, 1997 and members electing GABA. Effective January 1, 2000, the above contributions rates for municipal police officers were reduced by 2% for all active members. City contributions are 14.41% of active police officers' salaries. The State contributes 29.37% of active police officers' salaries. The State's contribution is funded from the general fund. Rights are vested after five years of service. Minimum years of service are five for benefit eligibility at age 50, or 20 years of service at any age. The service retirement benefit is 2.5% times the number of years of service times the final average compensation. For non-GABA members, a minimum benefit adjustment is required to insure that the retired members benefit is not less than one-half of the compensation paid to newly confirmed police officers in the city that last employed the member.

FURS - Firefighters Unified Retirement System - This system, established in 1981 and governed by Title 19, chapters 2 & 13 of the MCA, provides retirement benefits for firefighters employed by first and second class cities and other cities that wish to adopt the plan. It is a cost-sharing plan with a special funding situation. The member contribution is 9.5% of compensation for members hired prior to July 1, 1997, and 10.7% for new hires after June 30, 1997, and for members electing GABA coverage. City contributions are 14.36% of total annual compensation. The State contribution is 32.61% of total annual compensation for all firefighters and is paid out of the general fund. Minimum eligibility is 20 years regardless of age. For members not electing GABA and hired prior to July 1, 1981, monthly retirement benefit is 50% of final average compensation plus 2% per year for each year in excess of 20 years, or 2.5% of final average compensation per year. Members hired before July 1, 1981, with less than 20 years, receive a retirement benefit of 2% per year of service. Members electing GABA and hired after July 1, 1981, receive 2.5% per year of service. Post-retirement benefits, for non-GABA members, require that each retiree receive at least 50% of the salary paid a newly confirmed active firefighter. Rights are vested after five years of service.

(4) State as a Nonemployer Contributor

VFCA - Volunteer Firefighters Compensation Act - This compensation program, established in 1965 and governed by Title 19, chapter 17 of the MCA, provides medical benefits and pension, disability and death benefits for all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas of the state. VFCA is a plan with a special funding situation. The State contribution is 5% of fire insurance premium taxes collected. Rights are vested after ten years of qualified service. Eligibility requirements are 55 years of age and 20 years qualified service for a full benefit or 60 years of age and a minimum of 10 years qualified service for a partial benefit.

C. Summary of Significant Accounting Policies

The defined benefit plans financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are

recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

D. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments for the retirement systems. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on a discounted cash flow. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various brokerage services. The retirement systems have no investments of any commercial or industrial organization whose fair value equals 5% or more of the retirement systems net assets available for benefits.

E. Long-Term Contracts for Contributions

The Public Employees Retirement System has outstanding contributions for early retirement programs:

The 1993 Montana Legislature enacted House Bill 517--Retirement Incentive Program (RIP) providing PERS members (eligible for a service retirement) an incentive to terminate between June 25, 1993 and December 31, 1993. Local government employers participated through election on or before June 1, 1993. The employer purchased, on the members behalf, one year of additional service for each five years of qualified service ("1 for 5"), up to a maximum of three years, for any retirement eligible member who terminated employment during the defined time period. A total of 898 members took advantage of the program (630 from 32 state agencies, 95 from 6 universities, and 173 from 48 local government agencies).

The Montana Legislature also provided a new provision of the Employee Protection Act (EPA) (19-2-706, MCA) allowing State employees (eligible for a service retirement) whose positions have been eliminated to have their employer purchase up to three years of "1 for 5" additional service. As of June 30, 2000, 215 employees have taken advantage of the provision.

The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Total retirement incentive contributions received (including interest) during fiscal year 2000 totaled \$335,961. June 30, 2000, outstanding balances were \$528,301.

F. Actuarial Data

Actuarial valuations are performed every two years. Hendrickson, Miller & Associates Inc., Helena, MT, prepared the actuarial reports for the retirement systems, excluding TRS, before July 1, 1998. Employee Benefit Resources, LLP, of Helena, MT, prepared the July 1, 1998, actuarial reports for the retirement systems, excluding TRS. Milliman & Robertson, Inc., of Seattle, WA., performed the actuarial valuation for TRS for July 1, 1998 and July 1, 2000. Milliman & Robertson of Portland, OR, prepared the July 1, 2000, actuarial reports for the retirement systems, excluding TRS.

G. Funding Policy and Annual Pension Cost

The following tables provide information concerning funding policies and annual pension costs (in thousands):

| Single Employer Systems | | |
|--------------------------------|--|--|
| | HPORS | JRS |
| Annual pension cost | \$2,824 | \$899 |
| Contributions | | |
| Employer | \$1,956 | \$899 |
| Employee | 668 | 244 |
| License and Registration fees | 881 | - |
| Actuarial valuation date | 7/01/00 | 7/01/00 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage of total salaries, open | Level percentage of total salaries, open |
| Remaining amortization period | 30 years | 30 years |
| Asset valuation method | 4 year smoothed market | 4 year smoothed market |

Single Employer Systems

| | HPORS | JRS |
|---|---------|------|
| Actuarial Assumptions: | | |
| Investment rate of return | 8.0% | 8.0% |
| Projected salary increases (includes inflation factor) | 4.5% | 4.5% |
| Merit | 0%-7.3% | None |
| Postretirement benefit increases | None | None |

Single Employer Systems

| Year Ended | Annual Pension Costs (APC) | Percentage of APC Contributed | Net Obligation |
|--------------|-------------------------------|----------------------------------|-------------------|
| HPORS | | | |
| 06/30/98 | \$2,595 | 103.2% | NONE |
| 06/30/99 | 2,602 | 99.7% | NONE |
| 06/30/00 | 2,824 | 99.5% | NONE |
| JRS | | | |
| 06/30/98 | \$ 843 | 100.0% | NONE |
| 06/30/99 | 823 | 100.0% | NONE |
| 06/30/00 | 899 | 100.0% | NONE |

Multiple Employer Systems

| Year Ended | Annual Required Contribution (ARC) | Percentage of ARC Contributed | Net Obligation |
|---------------|--|----------------------------------|-------------------|
| PERS | | | |
| 06/30/98 | \$45,223 | 100.0% | NONE |
| 06/30/99 | 47,125 | 101.6% | NONE |
| 06/30/00 | 49,695 | 98.7% | NONE |
| MPORS | | | |
| 06/30/98 | \$ 7,840 | 100.0% | NONE |
| 06/30/99 | 8,297 | 99.8% | NONE |
| 06/30/00 | 8,866 | 100.6% | NONE |
| FURS | | | |
| 06/30/98 | \$ 7,094 | 97.8% | NONE |
| 06/30/99 | 7,401 | 99.4% | NONE |
| 06/30/00 | 7,773 | 97.8% | NONE |
| SRS | | | |
| 06/30/98 | \$ 1,919 | 100.0% | NONE |
| 06/30/99 | 1,995 | 104.4% | NONE |
| 06/30/00 | 2,056 | 106.8% | NONE |
| GWPORS | | | |
| 06/30/98 | \$ 706 | 100.0% | NONE |
| 06/30/99 | 892 | 104.4% | NONE |
| 06/30/00 | 1,069 | 102.9% | NONE |
| TRS | | | |
| 06/30/98 | \$44,476 | 100.0% | NONE |
| 06/30/99 | 44,987 | 100.0% | NONE |
| 06/30/00 | 48,376 | 100.0% | NONE |

H. Schedules of Funding Progress

Single Employer Systems

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability(AAL) Entry Age (b) | Unfunded AAL(UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|--|--------------------------|--------------------|----------------------------|---|
| HPORS | | | | | | |
| 07/01/96 | \$47,325 | \$67,709 | \$ 20,384 | 69.90% | \$6,242 | 326.57% |
| 07/01/98 | 59,531 | 78,722 | 19,191 | 75.62% | 6,201 | 309.48% |
| 07/01/00 | 77,810 | 76,397 | (1,413) | 101.85% | 6,952 | (20.33)% |
| JRS | | | | | | |
| 07/01/96 | \$24,944 | \$27,723 | \$ 2,779 | 89.98% | \$2,907 | 95.61% |
| 07/01/98 | 31,646 | 29,017 | (2,629) | 109.06% | 3,144 | (83.62)% |
| 07/01/00 | 42,043 | 27,365 | (14,678) | 153.64% | 3,483 | (421.42)% |

Multiple Employer Systems

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability(AAL) Entry Age (b) | Unfunded AAL(UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|--|--------------------------|--------------------|----------------------------|---|
| PERS | | | | | | |
| 07/01/96 | \$1,629,706 | \$1,826,207 | \$ 196,500 | 89.24% | \$608,592 | 32.29% |
| 07/01/98* | 2,128,065 | 2,300,328 | 172,263 | 92.51% | 660,579 | 26.08% |
| 07/01/00 | 2,843,347 | 2,273,407 | (569,940) | 125.07% | 725,692 | (78.54)% |
| MPORS | | | | | | |
| 07/01/96 | \$ 70,068 | \$ 105,664 | \$ 35,596 | 66.31% | \$ 15,828 | 224.90% |
| 07/01/98 | 94,908 | 173,642 | 78,734 | 54.66% | 17,873 | 440.52% |
| 07/01/00 | 129,826 | 181,109 | 51,283 | 71.68% | 20,252 | 253.22% |
| FURS | | | | | | |
| 07/01/96 | \$ 67,745 | \$ 131,111 | \$ 63,366 | 51.67% | \$ 13,783 | 459.75% |
| 07/01/98 | 89,988 | 169,006 | 79,018 | 53.25% | 15,104 | 523.15% |
| 07/01/00 | 123,492 | 162,329 | 38,837 | 76.08% | 16,547 | 235.00% |
| SRS | | | | | | |
| 07/01/96 | \$ 68,647 | \$ 52,751 | \$ (15,895) | 130.13% | \$ 17,890 | (88.85)% |
| 07/01/98 | 92,160 | 81,077 | (11,083) | 113.67% | 20,127 | (55.06)% |
| 07/01/00 | 126,338 | 87,836 | (38,502) | 143.83% | 21,559 | (178.59)% |
| GWPORS | | | | | | |
| 07/01/96 | \$ 18,160 | \$ 17,325 | \$ (835) | 104.82% | \$ 2,762 | (30.23)% |
| 07/01/98 | 23,190 | 22,412 | (778) | 103.47% | 7,839 | (9.92)% |
| 07/01/00 | 32,966 | 23,922 | (9,044) | 137.81% | 11,875 | (76.00)% |
| TRS | | | | | | |
| 07/01/96 | \$1,376,716 | \$1,939,569 | \$562,853 | 71.0% | \$501,516 | 112.2% |
| 07/01/98* | 1,809,037 | 2,342,690 | 533,653 | 77.2% | 529,795 | 100.7% |
| 07/01/00 | 2,247,500 | 2,648,300 | 400,800 | 84.9% | 537,500 | 74.6% |

* PERS July 1, 1998 results adjusted by actuary.

** TRS July 1, 1998 results adjusted for 1.5% guaranteed annual benefit adjustment and \$500 minimum benefit for legislation which passed in April 1999 and the new salary scale adopted in November 1998.

Nonemployer Contributor

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability(AAL) Entry Age (b) | Unfunded AAL(UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|--------------------------------|--------------------------|-------------------------------------|---|
| VFCA | | | | | | |
| 07/01/96 | \$11,504 | \$16,636 | \$5,132 | \$ 69.15% | N/A | N/A |
| 07/01/98 | 13,941 | 18,354 | 4,413 | 75.96% | N/A | N/A |
| 07/01/00 | 17,769 | 16,752 | (1,017) | 106.07% | N/A | N/A |

7. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, Retirement Systems, the following postemployment benefits are provided:

The State provides 18 to 36 months optional postemployment health care benefits in accordance with Public Law 99-272, known as the Federal Consolidated Omnibus Reconciliation Act (COBRA) to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who are receiving employee health care benefits at the time they discontinue State employment and (2) dependents who lose dependent eligibility. At June 30, 2000, 129 certificate holders were receiving these benefits.

In accordance with section 2-18-704, MCA, the State also provides optional postemployment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement system (See Note 6). Administratively established medical premiums vary between \$137 and \$349 per month depending on the medical plan selected, family coverage and Medicare eligibility. The State acts as secondary payor for retired Medicare-eligible claimants. As of June 30, 2000, 3,130 retirees were receiving health care benefits.

The State reimburses all validated medical claims less member obligations (annual deductibles and co-payments of the members selected medical plan). Dental claims are reimbursed at 50% to 100% depending on the services provided. The State funds claims on a pay-as-you-go basis. During the fiscal year, expenditures of \$14,725,951 were recognized for postemployment health care benefits. Premium contributions received from former employees amounted to \$9,712,833 leaving \$5,013,118 of claims in excess of premium revenue paid by the State.

In accordance with section 2-18-702, MCA, the Montana University System (MUS) provides postretirement health insurance benefits to eligible employees who receive a retirement benefit from the Teachers Retirement System, Public Employees Retirement System, or an annuity under the Optional Retirement Plan and have been employed by the MUS at least 5 years. Spouses, unmarried dependent children, and surviving spouses are also eligible. Administratively established premiums vary between \$150 and \$440 per month and are revised annually. Medicare eligible plan members are assumed to be Medicare insured. After an annual \$500 deductible for non-Medicare eligible retirees, the MUS plan reimburses 75% of the first \$8,000 in medical claims and 100% thereafter. After a \$350 deductible for Medicare eligible retirees, the plan reimburses 75% for the first \$4,000 in medical claims and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. As of June 30, 2000, 1,334 retirees were enrolled in the MUS plan. Funding for the retiree health plan is on a pay-as-you-go basis. Based on amounts recorded through June 2000, estimated expenditures of \$5,064,814 were recognized for postemployment health care benefits. Of this amount \$3,271,809 was paid by retirees through premiums and the balance of \$1,793,005 was paid by the MUS.

8. DEFERRED COMPENSATION PLAN

The administration of the State of Montana Deferred Compensation Program was transferred to the PERB effective July 1, 1999. The Deferred Compensation plan is a voluntary, tax-deferred retirement plan designed to supplement State Service Retirement, Social Security and other retirement plans and savings. The State of Montana has offered this plan since 1976. Internal Revenue Service Code (Section 457) and MCA (Title 19, chapter 50) govern the plan. Assets of the deferred compensation plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries.

All employees of the State, including the Montana University System and contracted employees, are eligible to participate. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. Participating

employees are able to direct their deferrals into two primary investment options; (1) a "fixed" or stable value option which guarantees both principal (the payroll deferrals) and a quarterly rate of earnings; and (2) a "variable" option which currently consists of twenty-three mutual funds, and five lifestyle/profile funds. Participating employees are allowed to participate in both options and, under the variable option, as many of the offered funds as they choose. As of June 30, 2000, the net assets of the Plan were \$199,302,000.

9. RISK MANAGEMENT

There are two Primary Government public entity risk pools and two Component Unit public entity risk pools that are reported within the Enterprise Fund Type: Primary Government pools include Hail Insurance and Subsequent Injury Funds; Component Unit pools include State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. There are three Primary Government Other Than Public Entity Risk Pools reported within the Internal Service Fund Type: Group Employees Comprehensive Medical and Dental Plan, Montana University System (MUS) Group Benefits Plan and Property and Casualty Insurance Plans. In all of these funds there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage. None of these funds have acquisition costs; therefore, no cost is amortized for the period. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) **Hail Insurance** - Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 1622 policies during the 2000 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency of which there is none.

A claim must be submitted to the State Board of Hail Insurance within fourteen days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain which exceeds 5% destruction by hail.

The fund recorded a liability of \$456,585 based on estimated claims through June 30, 2000. Any crop insurance liability is paid to producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance, reinsurance, or annuity contracts.

(2) **Subsequent Injury** - This fund provides benefits to workers, certified as disabled at the time of hiring, who are subsequently injured on the job and entitled to benefits under the Workers Compensation or Occupational Disease Act at the time of injury. The liability of the insurer for payment of compensation benefits is limited to 104 weeks of benefits actually paid. This fund will reimburse the insurer for all benefits paid after this 104 week time period. In Montana, there are 2,493 individuals with certified disabilities.

Workers compensation insurance premium experience modification factors are influenced by the 2-year limitation and employers may experience an insurance premium reduction. Therefore, this fund provides employers with a potential incentive for hiring a person with a certified disability.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed a percentage of their paid losses sufficient to cover paid losses reimbursed from the fund in the preceding calendar year and the expenses of administration, less other income. An estimated liability is recorded based on a projected cost analysis (case-by-case) of each injured person with a certified disability. As of June 30, 2000, the amount of this liability was estimated to be \$2,279,139.

(3) **State Compensation Insurance (New Fund)** - Liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990, are reported in the New Fund. The New Fund must insure any employer who desires coverage. At fiscal year-end, approximately 23,481 employers were insured with the New Fund. Montana state governmental agencies must obtain their workers compensation coverage through the New Fund. Anticipated investment income is considered for computing a premium deficiency and employers must pay premiums to the New Fund within specified time frames.

An actuarial study prepared by Tillinghast-Towers Perrin, as of June 30, 2000, has estimated liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not

reported. Because actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of June 30, 2000, \$314,900,000 of unpaid claims and claim adjustment expenses was presented at face value. When the New Fund purchases annuity contracts, the claim is settled in full and on a final basis, and all liability of the New Fund is terminated.

The New Fund uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer. The New Fund did not deduct any claim liabilities related to potential reinsurance recoverable. Statute requires the New Fund set premiums at least annually at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. Statute also requires the New Fund to establish a minimum surplus balance of 25% of annual premium revenue.

(4) State Compensation Insurance (Old Fund) - The liability and payment of workers compensation claims for incidents occurring before July 1, 1990 are reported in the Old Fund. Funding for claim payments was accumulated through an Old Fund Liability Tax (OFLT) imposed on employer payroll, employee wages and sole proprietor and subchapter S shareholder distributive income. In 1999, the 56th Legislature determined that the fund was adequately funded and discontinued the OFLT. This fund does not compute a premium deficiency.

An actuarial study prepared by Tillinghast-Towers Perrin, as of June 30, 2000, was used to estimate liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2000, \$167,915,000 of unpaid claims and claim adjustment expenses was presented at a net present value of \$117,945,000, discounted at a 5.5% rate. Prior to 1999, the unpaid claims and unpaid claim adjustment expenses were presented at face value. Total Old Fund surplus as of June 30, 2000, was \$18,573,293 compared to \$14,376,735 as of June 30, 1999, for a change of \$4,196,558.

(5) Changes in Claims Liabilities For the Past Two Years - As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

| Primary Government | Hail Insurance | | Subsequent Injury | |
|---|-----------------------|-------------|--------------------------|-------------|
| | 2000 | 1999 | 2000 | 1999 |
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 200 | \$ 475 | \$2,106 | \$1,017 |
| Incurring claims and claim adjustment expenses: | | | | |
| Provision for insured events of the current year | 2,275 | 2,221 | - | - |
| Increase (Decrease) in provision for insured events of prior years | 259 | (129) | 406 | 1,324 |
| Total incurred claims and claim adjustment expenses | 2,534 | 2,092 | 406 | 1,324 |
| Payments: | | | | |
| Claims and claim adjustment expenses attributable to insured events of the current year | (1,818) | (1,762) | - | - |
| Claims and claim adjustment expenses attributable to insured events of prior years | (459) | (605) | (233) | (235) |
| Total payment | (2,277) | (2,367) | (233) | (235) |
| Total unpaid claims and claim adjust. exp. at end of the year | \$ 457 | \$ 200 | \$2,279 | \$2,106 |

| Component Units | State Compensation Insurance (New Fund) | | State Compensation Insurance (Old Fund) | |
|---|--|-----------|--|-----------|
| | 2000 | 1999 | 2000 | 1999 |
| Unpaid claims and claim adjustment expenses at beginning of year | \$303,500 | \$310,687 | \$185,064 | \$194,401 |
| Incurred claims and claim adjustment expenses: | | | | |
| Provision for insured events of the current year | 74,482 | 69,390 | - | - |
| Increase (Decrease) in provision for insured events of prior years | (6,049) | (15,791) | (3,728) | 3,686 |
| Total incurred claims and claim adjustment expenses | 68,433 | 53,599 | (3,728) | 3,686 |
| Payments: | | | | |
| Claims and claim adjustment expenses attributable to insured events of the current year | (13,177) | (14,878) | | |
| Claims and claim adjustment expenses attributable to insured events of prior years | (43,856) | (45,908) | (13,421) | (13,023) |
| Total payment | (57,033) | (60,786) | (13,421) | (13,023) |
| Total unpaid claims and claim Adjust. exp. at end of the year | \$314,900 | \$303,500 | \$167,915 | \$185,064 |

(6) Risk Management Trend Information

The following table only presents risk management trend information for the State Compensation Insurance (New Fund). Only the New Fund has a three to five year development cycle contemplated by GASB Statement 10. The State Compensation Insurance (Old Fund) does not charge a premium for its services; its funding source is the old fund liability tax. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no three to five year development cycle. State statute limits the payment of claims and the collection of premiums (and penalties) for the Subsequent Injury Fund from any developmental cycle.

The table below illustrates how the earned revenues (net of reinsurance) of the New Fund and its investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of the fiscal year (in thousands). Section 3 shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest reestimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be expanded and revised as data for successive policy years develops.

| | State Compensation Insurance (New Fund) | | | | |
|---|---|-----------|-----------|-----------|-----------|
| | 1991 | 1992 | 1993 | 1994 | 1995 |
| 1. Premiums and Investment Revenue | | | | | |
| Earned | \$117,443 | \$159,499 | \$210,725 | \$227,455 | \$186,580 |
| Ceded | 231 | 270 | 289 | 318 | 269 |
| Net Earned | \$117,212 | \$159,229 | \$210,436 | \$227,137 | \$186,311 |
| 2. Unallocated expenses including overhead | \$ 9,567 | \$ 6,663 | \$ 7,924 | \$ 9,046 | \$ 15,147 |

| <u>State Compensation Insurance (New Fund)</u> | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| | 1991 | 1992 | 1993 | 1994 | 1995 |
| 3. Estimated losses and expenses | | | | | |
| end of accident year | | | | | |
| Incurred | \$133,819 | \$183,425 | \$186,480 | \$199,890 | \$164,628 |
| Ceded | - | - | - | - | - |
| Net Incurred | \$133,819 | \$183,425 | \$186,480 | \$199,890 | \$164,628 |
| 4. Net Paid (cumulative) as of: | | | | | |
| End of policy year | \$ 17,618 | \$ 20,244 | \$ 18,347 | \$ 18,693 | \$ 18,137 |
| One year later | 44,335 | 50,576 | 46,343 | 45,947 | 40,473 |
| Two years later | 64,079 | 68,837 | 62,717 | 60,971 | 52,073 |
| Three years later | 74,901 | 77,950 | 71,666 | 67,576 | 58,722 |
| Four years later | 81,747 | 83,173 | 76,280 | 72,212 | 62,419 |
| Five years later | 85,924 | 86,461 | 80,165 | 75,799 | 65,919 |
| Six years later | 88,532 | 89,370 | 82,981 | 78,306 | |
| Seven years later | 91,235 | 91,902 | 85,357 | | |
| Eight years later | 93,381 | 94,131 | | | |
| Nine years later | 95,699 | | | | |
| 5. Re-estimated ceded losses and expenses | - | - | - | - | - |

| <u>State Compensation Insurance (New Fund)</u> | | | | | |
|---|-----------|----------|----------|----------|----------|
| | 1996 | 1997 | 1998 | 1999 | 2000 |
| 1. Premiums and Investment Revenue | | | | | |
| Earned | \$130,898 | \$98,610 | \$83,345 | \$73,625 | \$69,388 |
| Ceded | 519 | 348 | 303 | 260 | 855 |
| Net Earned | \$130,379 | \$98,262 | \$83,042 | \$73,365 | \$68,533 |
| 2. Unallocated expenses including overhead | \$ 18,234 | \$13,454 | \$15,266 | \$20,355 | \$24,823 |
| 3. Estimated losses and expenses | | | | | |
| end of accident year | | | | | |
| Incurred | \$ 95,067 | \$76,067 | \$64,983 | \$64,645 | \$65,957 |
| Ceded | - | - | - | 838 | - |
| Net Incurred | \$ 95,067 | \$76,067 | \$64,983 | \$63,807 | \$65,957 |
| 4. Net Paid (cumulative) as of: | | | | | |
| End of policy year | \$ 15,818 | \$12,589 | \$12,943 | \$13,723 | \$13,177 |
| One year later | 32,890 | 28,451 | 28,222 | 29,976 | |
| Two years later | 42,361 | 35,706 | 35,753 | | |
| Three years later | 47,283 | 39,680 | | | |
| Four years later | 50,267 | | | | |
| Five years later | | | | | |
| Six years later | | | | | |
| Seven years later | | | | | |
| Eight years later | | | | | |
| Nine years later | | | | | |
| 5. Re-estimated ceded losses and expenses | 1,183 | 3,521 | 1,414 | 882 | - |

| <u>State Compensation Insurance (New Fund)</u> | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| | 1991 | 1992 | 1993 | 1994 | 1995 |
| 6. Re-estimated net incurred losses and expense: | | | | | |
| End of policy year | \$133,819 | \$183,425 | \$186,480 | \$199,890 | \$164,628 |
| One year later | 166,980 | 184,968 | 184,030 | 184,920 | 124,123 |
| Two years later | 160,272 | 175,218 | 167,052 | 135,472 | 107,074 |
| Three years later | 151,554 | 161,184 | 133,017 | 116,756 | 95,456 |
| Four years later | 141,389 | 135,775 | 120,583 | 107,656 | 94,517 |
| Five years later | 130,250 | 125,084 | 111,208 | 105,052 | 92,231 |

| | <u>State Compensation Insurance (New Fund)</u> | | | | |
|-------------------|--|---------|---------|---------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 |
| Six years later | 121,568 | 119,780 | 109,415 | 106,039 | |
| Seven years later | 118,856 | 120,472 | 111,683 | | |
| Eight years later | 118,948 | 120,397 | | | |
| Nine years later | 118,489 | | | | |

**7. Increase (decrease) in
estimated net incurred losses and
expenses from end of policy year**

| | | | | |
|------------|------------|------------|------------|------------|
| (\$15,330) | (\$63,028) | (\$74,842) | (\$93,851) | (\$72,397) |
|------------|------------|------------|------------|------------|

| | <u>State Compensation Insurance (New Fund)</u> | | | | |
|---|--|----------|----------|----------|----------|
| | 1996 | 1997 | 1998 | 1999 | 2000 |
| 6. Re-estimated net incurred losses and expense: | | | | | |
| End of policy year | \$95,067 | \$76,067 | \$64,983 | \$63,807 | \$65,957 |
| One year later | 88,923 | 67,235 | 64,308 | 64,348 | |
| Two years later | 77,286 | 59,054 | 60,467 | | |
| Three years later | 73,864 | 60,811 | | | |
| Four years later | 74,022 | | | | |
| Five years later | | | | | |
| Six years later | | | | | |
| Seven years later | | | | | |
| Eight years later | | | | | |
| Nine years later | | | | | |

**7. Increase (decrease) in
estimated net incurred losses and
expenses from end of policy year**

| | | | | |
|------------|------------|-----------|-----|---|
| (\$21,045) | (\$15,256) | (\$4,516) | 541 | - |
|------------|------------|-----------|-----|---|

B. Other Than Public Entity Risk Pools

(1) **Group Employee Comprehensive Medical and Dental Plan** - This plan is fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees and their dependents, with four exceptions. The three outside insured products are: vision care insured by the Vision Service Plan, the Yellowstone Community Health Plan, an insured community health option (CHO) available to state employees in four counties in the Billings area and the New West Plan, an insured CHO available to state employees in 25 counties in the Missoula, Deer Lodge, Helena, Billings, Dillon and Havre areas. Premiums are collected through payroll deductions, deductions through the Public Employees Retirement Division, and self-payment and are recorded as revenue in the Employees Group Benefits Internal Service Fund. At June 30, 2000, estimates for claims liabilities, which include incurred but not reported claims, were \$7,080,097 based on a formula provided by Buck Consultants, a consulting actuarial firm. A liability is reported in the accompanying financial statements for these estimated claims.

(2) **Montana University System (MUS) Group Benefits Plan** - This plan was authorized by the Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System, the Montana Higher Education Student Assistance Corporation (MHESAC), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured. Blue Cross/Blue Shield is the claims administrator on the plan. Managed Care Montana (VRI) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Internal Service Fund. The claims liability is calculated by Buck Consultants and estimated to be \$2,270,533 as of June 30, 2000, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) **Property & Casualty Insurance Plans** - This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability and State-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for most property insurance as well as various deductible amounts for other state property. The State also self-insures against losses of property below \$150,000 of value, with State agencies paying the first \$1,000. Commercial property insurance protects approximately \$2.1 billion of State-owned buildings and contents. The State property insurance includes separate earthquake and flood protection coverage (each in the amount of \$100 million) with deductibles of \$1 million for earthquake and \$500,000 for flood per occurrence. Premiums are collected from all State agencies including Component Units and recorded as revenue in the Administration Insurance Internal Service Fund.

An annual actuarial study, prepared by Tillinghast-Towers Perrin Company, and issued for the accident period July 1, 1991, through June 30, 2000, is the basis for estimating the liability for unpaid claims and is supported by historical

loss data. The June 30, 2000, estimated claims liability of \$25,346,068, discounted and assumes an annual rate of return of 4%, including those claims incurred but not reported, and is reported in the accompanying financial statements.

(4) Changes in Claims Liabilities For the Past Two Years - These funds establish liabilities for both reported and incurred but not reported claims. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands):

| | Group Employees Medical & Dental | | MUS Group Benefits | | Prop. & Casualty Insurance | |
|--|---|-------------|-------------------------------|-------------|---|-------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| Amount of claims liabilities at the beginning of each fiscal year | \$ 6,903 | \$ 6,501 | \$ 1,878 | \$ 1,942 | \$17,100 | \$13,771 |
| Included claims: | | | | | | |
| Provision for insured events of the current year | 48,724 | 46,100 | 24,380 | 19,710 | 5,784 | 4,997 |
| Increases (Decreases) in provision for insured events of prior years | 177 | 402 | 393 | (64) | 12,128 | 4,438 |
| Total incurred claims | 48,901 | 46,502 | 24,773 | 19,646 | 17,192 | 9,435 |
| Payments: | | | | | | |
| Claims attributable to insured events of the current year | (48,724) | (46,100) | (19,710) | (19,710) | (1,237) | (562) |
| Claims attributable to insured events of prior years | - | - | - | - | (8,428) | (5,544) |
| Total Payments | (48,724) | (46,100) | (24,380) | (19,710) | (9,665) | (6,106) |
| Total claims liability at end of each fiscal year | \$ 7,080 | \$ 6,903 | \$ 2,271 | \$ 1,878 | \$25,347 | \$17,100 |

10. COMMITMENTS

A. Highway Construction - At June 30, 2000, the Department of Transportation had contractual commitments of approximately \$136.3 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matching state special revenue funds.

B. Capital Construction - At June 30, 2000, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$17.2 million for capital projects construction. The Primary Government will fund \$16.1 million of these projects with the remaining \$1.1 million coming from higher education funds.

C. Proprietary Fund Commitments - Budgets are administratively established in the Enterprise and Internal Service Funds, excluding depreciation, compensated absences and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unreserved retained earnings in the accompanying financial statements as follows (in thousands):

| Primary Government | Amount |
|--------------------------------------|---------------|
| <u>Enterprise Funds</u> | |
| Liquor Warehouse | \$ 26 |
| Hail Insurance | 26 |
| Subtotal-Enterprise Funds | <u>\$ 52</u> |
| <u>Internal Service Funds</u> | |
| Highway Equipment | \$6,679 |
| FWP Equipment | 27 |
| ISD | 754 |
| Bad Debt Division | 1 |
| Administration Insurance | 2 |
| Administration Supply | 73 |
| Publications & Graphics | 14 |
| Buildings & Grounds | 171 |
| Labor Central Services | 52 |

| Primary Government | Amount |
|---|---------|
| Commerce Central Services | 42 |
| DEQ Indirect Cost Pool | 55 |
| FWP Warehouse Inventory | 16 |
| Justice Legal | 1 |
| LGA Administration | 2 |
| Subtotal-Internal Service Funds | \$7,889 |
| Total-Primary Government | \$7,941 |
| Component Units | |
| State Compensation Ins - New Fund | 302 |
| Total-Proprietary Fund Types-Reporting Entity | \$8,243 |

11. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases - Changes in capitalized leases/installment purchases are as follows (in thousands):

| | Balance July 1, 1999 | Additions (Deductions) | Balance June 30, 2000 |
|--|-------------------------|---------------------------|--------------------------|
| Primary Government | | | |
| General Long-Term Obligations | \$ 1,380 | \$ 1,621* | \$3,001 |
| Proprietary Fund Types | | | |
| Enterprise Fund | \$ 5,025 | \$(5,025) | \$ - |
| Internal Service Fund | 4,728 | (1,858) | 2,870 |
| Total Proprietary | 9,753 | (6,883) | 2,870 |
| Total-Primary Government | \$11,133 | \$(5,262) | \$5,871 |
| Component Units | | | |
| State Fund | \$ - | \$ 42 | \$ 42 |
| Pension Trust Fund | 227 | 1,932 | 2,159 |
| Higher Education Funds | 1,157 | 229 | 1,386 |
| Total-Component Units | \$ 1,384 | \$ 2,203 | \$3,587 |
| Total Capitalized Leases/ Installment Purchases | \$12,517 | \$(3,058) | \$9,458 |

*This amount consists of \$847,000 of additions as inception; \$2,236,000 of additions as adjustments; and \$(1,462,000) as deductions.

Future minimum lease payments under capital leases/installment purchases are as follows (in thousands):

| Fiscal Year Ending June 30 | Primary Government | | | Component Units | | | Totals |
|----------------------------------|-------------------------------------|------------------------|---------------------|-----------------|---------|------------------------------|----------|
| | General Long-Term Obligations | Proprietary Fund Types | | State Fund | Pension | Higher Education Funds | |
| | | Enterprise | Internal Service | | | | |
| 2001 | \$ 974 | \$- | \$1,849 | \$ 11 | \$ 432 | \$ 533 | \$ 3,799 |
| 2002 | 870 | - | 855 | 11 | 432 | 453 | 2,621 |
| 2003 | 518 | - | 266 | 11 | 432 | 380 | 1,607 |
| 2004 | 471 | - | 57 | 11 | 432 | 115 | 1,086 |
| 2005 | 69 | - | 1 | 8 | 432 | 35 | 545 |

| Fiscal Year Ending June 30 | Primary Government | | | Component Units | | | Totals |
|--------------------------------------|-------------------------------------|--------------------------------------|---------------------|-----------------|---------|------------------------------|----------|
| | General Long-Term Obligations | Proprietary Fund Types Enterprise | Internal Service | State Fund | Pension | Higher Education Funds | |
| 2006+ | 386 | - | - | - | 400 | - | 786 |
| Total minimum pmts | \$3,288 | \$- | \$3,027 | \$52 | \$2,560 | \$1,516 | \$10,443 |
| Less: Interest | 287 | - | 157 | 10 | 401 | 130 | 985 |
| Present value of minimum payments | \$3,001 | \$- | \$2,870 | \$42 | \$2,159 | \$1,386 | \$ 9,458 |

B. Operating Leases - Total rental payments of primary government and component units for operating leases in fiscal year 2000 were \$6,824,000 and \$469,000, respectively. Future rental payments under operating leases are as follows (in thousands):

| Fiscal Year Ending June 30 | Primary Government | Component Units | Totals |
|-------------------------------|-----------------------|--------------------|----------|
| 2001 | \$ 7,620 | \$374 | \$ 7,994 |
| 2002 | 5,999 | 238 | 6,237 |
| 2003 | 4,771 | 98 | 4,869 |
| 2004 | 4,271 | 62 | 4,333 |
| 2005 | 3,993 | 50 | 4,043 |
| 2006+ | 22,977 | 12 | 22,989 |
| Total future rental payments | \$49,631 | \$834 | \$50,465 |

12. STATE DEBT

A. General Information - The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. The Board of Examiners (consisting of the Governor, Secretary of State and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-Term Debt - The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. No notes may be issued to refund outstanding notes. The notes must be redeemed by the end of the fiscal year in which issued.

The Board of Investments (BOI) of the State of Montana is authorized to issue Municipal Finance Consolidation Act Bonds which may not aggregate more than \$75 million. The purpose of the bonds is to provide funds for the BOI to make loans to eligible local government units. The bonds are not in any way a debt or liability of the State of Montana. The bonds are limited obligations of the BOI payable solely from repayments of principal and interest on loans made by the BOI to participating local government units, investment income under the indenture and an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the Trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and have been classified as short-term debt. The amounts issued and outstanding at June 30, 2000, were as follows (in thousands):

| Series | Amount Issued | Balance June 30, 2000 |
|--------------|------------------|--------------------------|
| 1991 | \$ 5,000 | \$ 4,650 |
| 1992 | 6,500 | 6,165 |
| 1994 | 7,500 | 7,140 |
| 1995 | 7,500 | 7,310 |
| 1997 | 10,000 | 9,915 |
| 1998 | 12,500 | 12,430 |
| 2000 | 1,500 | 1,500 |
| Total | | \$49,110 |

C. Long-Term Debt - The full faith, credit and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue bonds and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees and assets of the State and the various colleges and universities. Long-term debt

(excluding bonds/notes of Enterprise Funds and Internal Service Funds discussed elsewhere in this footnote; Leases - Note 11 and Compensated Absences - Note 1) of the State at June 30, 2000, was as follows (in thousands):

| General Obligation Debt | Series | Amount Issued | Interest Range (%) | Principal Payments | | Balance June 30, 2000 |
|--|--------|------------------|-----------------------|--------------------|-----------------------------|--------------------------|
| | | | | FY 2001 | In Year of Maturity (13) | |
| Long-Range Bldg Program | 1985A | \$ 8,550 | 8.0 | \$ 150 | \$ 150 (2001) | \$ 150 |
| Water Development Program (1) | 1989B | 500 | 8.55 | 25 | 50 (2010) | 350 |
| Water Development Program (1) | 1991A | 750 | 8.0 | 50 | 90 (2007) | 480 |
| Wastewater Treatment Works | 1991B | 2,595 | 6.0-6.8 | 95 | 215 (2014) | 2,060 |
| GO Refunding | 1992 | 31,330 | 5.25-6.2 | 380 | 390 (2010) | 4,250 |
| Energy Conservation Program (2) | 1993A | 1,500 | 4.4-4.75 | 160 | 180 (2004) | 675 |
| Long-Range Bldg Program | 1993B | 3,185 | 4.0-4.25 | 265 | 310 (2004) | 1,140 |
| Renewable Resource Development (1) | 1993C | 750 | 5.25-5.65 | 80 | 95 (2004) | 350 |
| Long-Range Bldg Program | 1994A | 22,540 | 4.2-6.0 | 925 | 1,725 (2014) | 17,820 |
| Wastewater Treatment Works | 1994B | 2,200 | 4.9-6.1 | 80 | 180 (2016) | 1,925 |
| Long-Range Bldg Program | 1994C | 21,955 | 5.125-7.0 | 815 | 1,000 (2005) | 4,520 |
| Energy Conservation Program (2) | 1994D | 1,600 | 5.125-5.5 | 160 | 200 (2005) | 900 |
| Renewable Resource Development (1) | 1994E | 750 | 7.7-8.1 | 75 | 105 (2005) | 445 |
| Energy Conservation Program (2) | 1996A | 1,650 | 4.0-4.4 | 155 | 195 (2006) | 1,050 |
| Renewable Resource Development (1) | 1996B | 1,250 | 5.75-6.1 | 115 | 155 (2006) | 810 |
| Wastewater Treatment Works | 1996C | 2,765 | 4.55-5.75 | 105 | 120 (2017) | 2,505 |
| Long-Range Bldg Program | 1996D | 30,075 | 5.75-6.0 | 1,050 | 2,370 (2017) | 27,230 |
| Renewable Resource Development (1) | 1996E | 1,000 | 6.95-7.75 | 90 | 130 (2007) | 765 |
| Renewable Resource Development (1) | 1997A | 2,000 | 6.8-8.0 | 90 | 210 (2013) | 1,835 |
| Long-Range Bldg Program | 1997B | 12,640 | 4.6-5.0 | 700 | 595 (2018) | 11,315 |
| Wastewater Treatment Works | 1998A | 3,510 | 3.9-5.15 | 120 | 260 (2019) | 3,395 |
| Long-Range Bldg Program | 1998B | 34,545 | 3.7-4.85 | 1,225 | 2,555 (2018) | 32,170 |
| Information Technology | 1998C | 41,390 | 4.5-5.0 | 4,595 | 4,075 (2008) | 32,630 |
| Long-Range Bldg Program | 1998D | 14,855 | 4.4-5.0 | 90 | 1,720 (2015) | 14,550 |
| Energy Conservation Program (2) | 1998E | 1,250 | 4.05-4.6 | 110 | 150 (2008) | 1,025 |
| Renewable Res. Prgm Loans-Taxable | 1999 | 1,035 | 6.0-6.5 | 45 | 105 (2015) | 1,035 |
| Long-Range Bldg Program | 1999C | 16,990 | 4.0-5.0 | 580 | 1,250 (2019) | 16,220 |
| Drinking Revolving Fund (10) | 1998F | 3,065 | 3.6-4.85 | 110 | 230 (2019) | 3,065 |
| Renewable Resource Development (1) | 2000 | 1,107 | 4.0 | 50 | 106 (2020) | 1,107 |
| Drinking Water Revolving Fund (10) | 2000A | 2,990 | 4.25-5.6 | - | 240 (2021) | 2,990 |
| Pollution control Revolving Fund (10) | 2000B | 3,325 | 4.25-5.6 | - | 270 (2021) | 3,325 |
| Long-Range Bldg Program | 2000C | 17,195 | 5.0-5.5 | 1,275 | 1,320 (2019) | 17,195 |
| Information Technology | 2000D | 18,000 | 5.25 | 1,960 | 2,250 (2010) | 18,000 |
| Information Technology | 2000E | 800 | 5.6 | 280 | 270 (2003) | 800 |
| Renewable Resource Development (1) | 2000F | 187 | 4.0 | 43 | 55 (2003) | 187 |
| Total General Obligation Debt | | \$309,829 | | \$16,048 | | \$228,269 |
| Special Revenue Bonds | | | | | | |
| Water Conservation (3) | - | \$ 50 | 5.0 | \$ 2 | \$ 1 (2012) | \$ 25 |
| Broadwater Power Project (4)/(6) | 1990A | 3,800 | 9.5 | 465 | 505 (2002) | 970 |
| Broadwater Power Project (4)/(5) | 1991A | 21,735 | 6.4-6.875 | - | 2,135 (2018) | 21,735 |
| Water Development Program (4) | 1992A | 11,955 | 5.4-6.1 | 935 | 1,000 (2006) | 6,265 |
| Water Development Program (4) | 1992B | 9,375 | 5.2-6.0 | 375 | 795 (2013) | 7,215 |
| Department of Transportation | 1993 | 72,375 | 4.9-5.05 | 11,885 | 3,705 (2004) | 41,155 |
| Renewable Resource Program (4) | 1996A | 14,985 | 4.25-5.2 | 1,015 | 110 (2017) | 11,300 |
| Renewable Resource Program (4) | 1997A | 1,205 | 6.5-7.3 | 35 | 110 (2017) | 1,145 |
| Renewable Resource Program (4) | 1997B | 2,660 | 4.3-5.375 | 85 | 210 (2017) | 2,495 |
| Developmental Center Project (9) | 1994 | 13,100 | 5.3-6.4 | 335 | 1,015 (2019) | 11,780 |
| State Hospital Project (9) | 1997 | 25,915 | 4.15-5.0 | 680 | 1,820 (2022) | 25,260 |
| Total Special Revenue Bonds | | \$177,155 | | \$15,812 | | \$129,345 |
| Middle Creek Dam Project (7) | | \$ 2,990 | 8.125 | \$ 35 | 124 (2034) | \$ 3,061 |
| Treasure State Endowment (8) | | 4,134 | 5.85 | 778 | 778 (2001) | 778 |
| Tongue River Dam Project (12) | | 11,300 | - | 290 | 290 (2039) | 11,010 |
| Dept. of Justice INTERCAP Loan (11) | | 500 | 5.6 | 50 | 50 (2007) | 350 |
| Dept. Of Environmental Quality INTERCAP Loan (11) | | 1,212 | 5.6 | 109 | 75 (2008) | 960 |

| Special Revenue Bonds | Series | Amount Issued | Interest Range (%) | Principal Payments | | Balance June 30, 2000 |
|--|--------|------------------|-----------------------|--------------------|-----------------------------|--------------------------|
| | | | | FY 2001 | In Year of Maturity (13) | |
| Dept. Of Corrections Resident Accounting System Loan (14) | | 320 | 5.73 | 57 | 71 (2005) | 320 |
| Natural Resce. Damage Lit. Pgm. (15) | | 530 | - | - | - | 530 |
| <hr/> | | | | | | |
| Total Notes Payable | | <u>\$ 20,986</u> | | <u>\$ 1,319</u> | | <u>\$ 17,009</u> |
| Total Special Revenue Debt | | | | | | <u>\$146,354</u> |

- (1) All Water Development Program Bonds and the Renewable Resource Development Bonds are secured additionally by a pledge of, and payable from, certain coal severance taxes. Series 1988, 1989B, 1991A and 1993C bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.
- (2) Bonds issued for financing the design, construction and installation of energy conservation projects at various State buildings.
- (3) Bonds sold to Farmers Home Administration.
- (4) Issued by the Department of Natural Resources and Conservation (DNRC) and backed by a pledge of coal severance taxes and project revenues.
- (5) First payment of \$795,000 is due in 2003.
- (6) Bonds were sold to the Montana Board of Investments.
- (7) U.S. Bureau of Reclamation loan to Montana Department of Natural Resources & Conservation. The outstanding balance includes \$257,748 of interest owed.
- (8) Board of Investments Treasure State Endowment loan from the Coal Tax Trust Fund to the State of Montana Department of Commerce.
- (9) Montana Health Facility Authority Loan to the Department of Public Health and Human Services for the Montana Developmental Center Project and the Montana State Hospital Project.
- (10) Provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water system development loans to state political subdivisions.
- (11) Montana Board of Investments loans to Departments from the INTERCAP loan program.
- (12) Northern Cheyenne Tribe loan to the Montana Dept. of Natural Resources & Conservation (DNRC). The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.
- (13) Year of Maturity refers to fiscal year.
- (14) Norwest loan to provide funds for the development of a Y2K compliant resident accounting system.
- (15) Board of Investments loan to the Department of Justice for the Natural Resource Damage Litigation Program. Loan repayment is secured by a pledge of amounts to be recovered in the ongoing litigation with Atlantic Richfield Company.

| Board of Regents Issues Higher Education Units- Component Unit | Series | Amount Issued | Interest Range (%) | Principal Payments | | Balance June 30, 2000 |
|--|---|------------------|-----------------------|--------------------|------------------------|--------------------------|
| | | | | FY 2001 | In Year of Maturity | |
| University of Montana-Missoula (U of M) | 1993A/1998E 1999F | 110,816 | 3.8-5.8 | \$2,095 | \$ 760 (2026) | \$ 101,193 |
| Montana State University-Bozeman (MSU) | 1987A/1993A 1996D/1996B 1998E/1998F | 87,677 | 3.90-8.0 | 3,065 | 5,590 (2022) | 77,412 |
| Montana Tech of the U of M | 1995C/1998E 1999F | 17,208 | 4.0-5.75 | 380 | 932 (2024) | 13,001 |
| MSU - Billings | 1996D/1998F | 18,955 | 3.9-5.625 | 560 | 1,070 (2026) | 17,170 |
| MSU - Northern | 1994C/1998F | 3,450 | 3.9-6.0 | 175 | 100 (2015) | 2,775 |
| Western Montana College of the U of M (WMC) | 1993A/1998 1999F | 7,846 | 4.0-5.75 | 85 | 858 (2024) | 7,398 |
| Helena College of Technology of the University of Montana (HCT) | 1999F | <u>757</u> | 4.15-5.75 | <u>5,489</u> | 85 (2024) | <u>749</u> |
| | | | | | | |
| | | <u>\$246,709</u> | | <u>\$11,849</u> | | <u>\$219,698</u> |
| Add: Unamortized Premium | | | | | | 18 |
| Less: Unamortized Discount | | | | | | <u>(2,269)</u> |
| Total Higher Education Bonded Debt | | | | | | <u>\$217,447</u> |

**Board of Regents Issues
Higher Education Units-
Component Unit**

| Board of Regents Issues Higher Education Units- Component Unit | Series | Amount Issued | Interest Range (%) | Principal Payments | | Balance June 30, 2000 |
|--|--------|------------------|-----------------------|--------------------|------------------------|--------------------------|
| | | | | FY 2001 | In Year of Maturity | |
| Higher Ed Nonbonded Debt | | | | | | |
| U of M - Missoula, Bookstore Note | | \$ 500 | Variable | \$ - | \$ 500 (2005) | \$ 500 |
| U of M - Missoula, INTERCAP Program Note | | 1515 | Variable | 236 | 53 (2010) | 1,269 |
| U of M - First Interstate Mortgage | | 281 | 8.5 | 7 | 28 (2017) | 263 |
| U of M - Montana College of Technology INTERCAP Program Note | | 541 | Variable | 89 | 27 (2007) | 539 |
| MSU - Bozeman, Fiber Note | | 746 | 5.9 | 159 | 98 (2001) | 256 |
| MSU - Bozeman, INTERCAP Program Note | | 1467 | Variable | 170 | 9 (2010) | 1,404 |
| MSU - Bozeman, Athletics Dept | | 78 | 5.48 | 17 | 17 (2001) | 17 |
| MSU - Bozeman, Information Tech Center | | 58 | 5.31-5.54 | 19 | 16 (2002) | 38 |
| MSU - Bozeman, Media & Theater Arts | | 44 | 5.63 | 9 | 10 (2002) | 19 |
| MSU - Bozeman, Renne Library | | 371 | 4.95-5.34 | 102 | 33 (2003) | 210 |
| MSU - Bozeman, Physics Dept | | 22 | 4.95 | 8 | 8 (2001) | 8 |
| MSU - Bozeman, University Relations | | 9 | 4.95-6.24 | 3 | 2 (2002) | 4 |
| MSU - Bozeman, Burns Center | | 32 | 6.24 | 10 | 11 (2002) | 21 |
| MSU - Bozeman, Call Center | | 69 | 5.34 | 22 | 21 (2002) | 45 |
| MSU - Billings, INTERCAP Program Note | | 391 | Variable | 34 | 7 (2010) | 359 |
| MSU - Billings, Athletic Note | | 20 | 8.7 | 5 | 6 (2003) | 16 |
| MSU - Yucca Escrow | | 85 | 7.75 | 17 | 7 (2005) | 85 |
| MSU - Northern, INTERCAP Program Note | | 1,579 | Variable | 167 | 28 (2007) | 950 |
| MSU - Northern, Athletic Van Note | | 13 | 6.5 | 2 | 2 (2005) | 10 |
| MSU - Northern, Voice Mail Note | | 49 | 6.5 | - | 18 (2002) | 49 |
| MSU - Northern, Student Services Loan | | 24 | 6.5 | - | 5 (2005) | 24 |
| MSU - College of Technology, Great Falls INTERCAP Program Note | | 28 | Variable | 9 | 5 (2003) | 24 |
| MSU - College of Technology, Great Falls, Note | | 100 | 5.38 | 22 | 22 (2001) | 22 |
| Total Higher Education Nonbonded Debt | | <u>\$ 8,022</u> | | <u>\$ 1,107</u> | | <u>\$ 6,132</u> |
| Total Higher Education Funds | | | | | | \$223,578 |

Debt service requirements (principal and interest) for long-term notes/bonds payable reported in the General Long-Term Obligations Account Group and Higher Education Funds are as follows (in thousands):

| Fiscal Year Ending June 30 | General Obligation Debt | Special Revenue Bonds | Higher Ed Bonded Debt | Non- Bonded Debt | Total Requirements |
|----------------------------------|-------------------------------|-----------------------------|-----------------------------|------------------------|-----------------------|
| 2001 | \$ 26,327 | \$ 22,560 | \$ 20,120 | \$ 3,282 | \$ 72,289 |
| 2002 | 25,356 | 22,530 | 20,260 | 1,694 | 69,840 |
| 2003 | 24,805 | 22,725 | 20,153 | 1,449 | 69,132 |
| 2004 | 23,508 | 12,913 | 20,128 | 1,480 | 58,029 |
| 2005 | 22,853 | 9,102 | 20,035 | 1,129 | 53,119 |
| 2006+ | 197,913 | 95,056 | 318,671 | 21,411 | 633,051 |
| Totals | <u>\$320,762</u> | <u>\$184,886</u> | <u>\$419,367</u> | <u>\$30,445</u> | <u>\$955,460</u> |

A summary of changes in long-term liabilities payable reported in the General Long-Term Obligations Account Group for the fiscal year ending June 30, 2000, was as follows (in thousands):

| | Balance July 1, 2000 | Additions(1) | Reductions | Balance June 30, 2001 |
|---------------------------|-------------------------|-----------------|-----------------|--------------------------|
| Early Retirement Benefits | \$ 231 | \$ 83 | \$ 87 | \$ 227 |
| Arbitrage Rebate Tax | 807 | 218 | - | 1,025 |
| General Obligation Debt | 197,020 | 43,604 | 12,355 | 228,269 |
| Special Revenue Debt | 163,348 | 1,130 | 18,124 | 146,354 |
| Totals | <u>\$361,406</u> | <u>\$45,035</u> | <u>\$30,566</u> | <u>\$375,875</u> |

(1) Loan and Bond Proceed amounts recorded in the financial statements for General Obligation and Special Revenue Debt include the effects of bond discounts and premiums. The additions in long-term debt include new issues of bonds and loans with a face value of \$44,768,984 that were issued at par. Proceeds of \$800,000 for the Series 2000E Information Technology General Obligation Bonds have been recorded by the Montana University System, a component unit of the State of Montana.

D. Early Retirement Benefits Note - The 1993 Montana State Legislature granted an early retirement incentive. The incentive consisted of an additional three years of employer and employee contributions paid by the employer agency to the State of Montana Public Employees Retirement System. The payments may be made over a period of time not to exceed ten years at an interest rate of 8%. Debt Service requirements are as follows (in thousands):

| | Principal Payments | | Balance June 30, 2000 |
|-------------------------|--------------------|------------------------|--------------------------|
| | FY 2001 | In Year of Maturity | |
| Primary Government: | | | |
| General Obligation Debt | \$45 | \$47 | \$227 |
| Component Unit: | | | |
| Higher Education Units | 9 | 10 | 38 |
| Total | \$54 | \$57 | \$265 |

E. Refunded and Early Retired Bonds

During fiscal year 2000, the Department of Natural Resources and Conservation (DNRC) used current available resources to retire early \$345,000 of Series 1988A Water Development Program General Obligation Bonds, \$790,000 of Series 1988A Water Development Program Revenue Bonds and to pre-pay \$250,000 of Series 1992A Water Development Program Revenue Bonds.

On November 12, 1999, The University of Montana, a Component Unit of the State of Montana, issued \$69,240,000 of Series F 1999 Revenue Bonds with interest ranging from 3.80% to 6.00%. The proceeds from the issue were used for the purpose of restructuring Series 1995B, 1995C, and 1996D Facilities Improvement Revenue Bonds, and for the acquisition, construction, remodeling, improvement and equipping of certain facilities and properties at the various University of Montana campuses. The University issued \$58,205,000 of the Series F 1999 Revenue Bonds to advance refund and restructure \$58,609,000 of outstanding Series 1995B, 1995C, and 1996D Facilities Improvement Revenue Bonds with an average interest rate of 5.2%. Series 1995B and 1996D were entirely advanced refunded and all but \$4,545,000 of the Series 1995C was advanced refunded. The advanced refunded bonds are considered legally defeased and as a result, the liability for those bonds has been removed from the Net Investment In Plant of Indebtedness sub-fund group in the Plant Funds. The debt service cash flows for Series F 1999 Revenue Bonds exceeded the debt service cash flows for the advance refunded bonds by approximately \$23 million. The net economic loss for the University from the advance refunding was approximately \$813,000.

During fiscal year 2000, the Housing Authority Board issued \$147,695,000 of Single Family bonds. Series 1999A was issued on August 4, 1999 in the amount of \$60,000,000 and Series 2000A was issued on March 8, 2000, in the amount of \$87,695,000. In conjunction with the issuance of the 1999A bonds, the Board refunded the 1989A bond issue on October 1, 1999. Single Family bond issue Series 2000A refunded the 1990A and 1990B bond issues. The Housing Authority deferred \$449,400 of costs related to the refunding of the 1989A, 1990A and 1990B bonds. The refunding of the 1989A bonds resulted in an economic gain of \$1,165,513 and difference in cash flows of \$547,672. The refunding of the 1990A and 1990B bonds resulted in an economic gain of \$1,525,893 and difference in cash flows of \$1,272,241.

In prior years, the State of Montana and the Board of Regents of Higher Education have issued general obligation and revenue refunding bonds, the proceeds of which were used to defease certain bond issues already outstanding. The proceeds of the refunding issues were placed in escrow accounts and invested in U.S. Treasury Obligations that, together with interest earned thereon, will be sufficient for future payment of principal and interest on the refunded issues. Accordingly, the debt is considered defeased for financial reporting purposes and the liability for the defeased bonds is not included in the financial statements. At June 30, 1999, the in-substance defeased bonds outstanding was as follows (in thousands):

| | |
|--------------------------|----------|
| General Obligation | \$10,830 |
| Higher Education Revenue | 31,390 |
| Total | \$42,220 |

F. Propriety & Pension Funds

(1) **Economic Development & Municipal Finance Consolidation Act Bonds (EDB)** - This program is directed by the nine-member Board of Investments which is attached to the Department of Commerce for administrative purposes. This program assists Montana's small businesses and local governments in obtaining long-term, fixed rate financing through private Montana lending institutions. Outstanding obligations are as follows (in thousands):

| Program | Series | Amount Issued | Interest Rate (%) | Principal Payments | | Balance June 30, 2000 |
|--|--------|-----------------|-------------------|--------------------|---------------------|-----------------------|
| | | | | FY 2001 | In Year of Maturity | |
| Municipal Finance Consolidation Act Bonds (Irrigation Program) (a) | 1988 | \$ 4,976 | 6.60-7.75 | \$495 | \$130 (2014) | \$ 3,024 |
| Municipal Finance Consolidation Act Bonds (School District Pooled Refunding Program) (b) | 1991 | 6,234 | 4.75-6.5 | 398 | 294 (2005) | 1,547 |
| Total Bonds Payable | | \$11,210 | | \$893 | | \$4,571 |
| Conservation Reserve Enhancement Program (CRP Notes) (c) | | 10,982 | 6.90-9.92 | 1,196 | 331 (2009) | 10,983 |
| Total Bonds/Notes Payable | | \$22,192 | | \$2,089 | | \$15,554 |

- (a) These bonds were issued to obtain funds for the Board of Investments, State of Montana, to purchase the refunding bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. The Irrigation Bonds are not obligations of the State of Montana. However, the Irrigation Bonds are limited obligations of the Board of Investments due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The indenture does not permit the issuance of additional bonds.
- (b) These bonds were issued for the purpose of providing funds for the Board of Investments, State of Montana, to purchase the general obligation refunding bonds of participating Montana School Districts. The School District Refunding Bonds and the interest thereon are payable from real property taxes levied within the school district. These bonds are limited obligations of the Board of Investments, and are not a debt or liability of the State of Montana, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal or interest on the bonds.
- (c) These bonds and notes were issued for the purpose of providing funds for the Board of Investments, State of Montana, to make loans to participating farmers and ranchers under its Conservation Reserve Enhancement Program. The Series 1991 Bonds are not in any way a debt or liability of the State of Montana, and neither the full faith and credit, nor the taxing power of the State of Montana is pledged to the payment of the principal or interest on the Series 1991 Bonds. However, the 1991 Bonds are limited obligations of the Board of Investments. The Bond Anticipation Notes (BAN), which matured on November 15, 1992, were reissued to correspond with maturities per the underlying loans. On November 15, 1994, eleven BANs were reissued to comply with statutory requirements limiting the maturity of notes to five years from issuance date. The outstanding BANS as of November 15, 1996 were reissued as loans to comply with statutory requirements. The board now issues CRP bonds for the duration of the CRP contract purchased.

Debt service requirements (principal & interest) for EDB are as follows (in thousands):

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006+ | Totals |
|---------|---------|---------|---------|---------|---------|-----------------|
| \$3,175 | \$2,998 | \$2,877 | \$2,723 | \$2,492 | \$6,601 | <u>\$20,866</u> |

(2) **Internal Service Bonds/Notes Payable** - State agencies may obtain long-term financing for Internal Service Funds through the Board of Investments INTERCAP loan program. Outstanding obligations at June 30, 2000, follow (in thousands):

| Department | Amount Issued | Interest Rate (%) | Principal Payments | | Balance June 30, 2000 |
|---|------------------|----------------------|--------------------|------------------------|--------------------------|
| | | | FY 2001 | In Year of Maturity | |
| Department of Transportation - Motor Pool | \$9,954 | 5.6 | \$2,001 | \$758 (2004) | \$6,007 |
| TOTAL BONDS/NOTES PAYABLE | \$9,954 | | \$2,001 | | \$6,007 |

Debt service requirements (principal & interest) for Internal Service Funds are as follows (in thousands):

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|---------|---------|---------|-------|------|-------|---------|
| \$2,274 | \$2,010 | \$1,239 | \$758 | \$- | \$- | \$6,281 |

(3) **Pension Trust Fund Bonds/Notes Payable** - State agencies may obtain long-term financing for Pension Trust Funds through the Board of Investments INTERCAP loan program. Outstanding obligations at June 30, 2000, follow (in thousands):

| Department | Amount Issued | Interest Rate (%) | Principal Payments | | Balance June 30, 2000 |
|--|------------------|----------------------|--------------------|------------------------|--------------------------|
| | | | FY 2001 | In Year of Maturity | |
| Public Employees Retirement System (a Component Unit of the State of Montana) | \$430 | 5.6 | \$- | \$72 (2009) | \$430 |
| Total Bonds/Notes Payable | \$430 | | \$- | | \$430 |

Debt service requirements (principal & interest) for Pension Trust Funds are as follows (in thousands):

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|------|------|------|------|------|-------|-------|
| \$16 | \$- | \$51 | \$55 | \$58 | \$266 | \$446 |

(4) **Enterprise Fund Notes Payable** - State agencies may obtain long-term financing for Enterprise Funds. Outstanding obligations at June 30, 2000, were as follows (in thousands):

| Department | Amount Issued | Interest Rate (%) | Principal Payments | | Balance June 30, 2000 |
|---|------------------|----------------------|--------------------|------------------------|--------------------------|
| | | | FY 2001 | In Year of Maturity | |
| Montana State Lottery (administered by the Department of Commerce) | \$5,025 | 5.12 | \$953 | \$1,110 (2004) | \$4,120 |
| Total Bonds/Notes Payable | \$5,025 | | \$953 | | \$4,120 |

Debt service requirements (principal & interest) for Enterprise Funds are as follows (in thousands):

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|---------|---------|---------|---------|------|-------|---------|
| \$1,146 | \$1,146 | \$1,146 | \$1,146 | \$- | \$- | \$4,584 |

(5) **Board of Housing (BOH) (Housing Authority) - Component Unit - Revenue Bonds** - The Montana Board of Housing is authorized to have an aggregate of \$975 million of housing mortgage bonds outstanding. The bonds are payable from mortgage loan repayments and investment earnings. All bonds issued to date are secured by federally insured or guaranteed mortgages. Statutory provisions exist wherein the Governor shall include in the executive budget submitted to the legislature the sum required to fund possible future deficiencies in required reserves; however, the legislature is not legally required to appropriate funding for such deficiencies. None of the outstanding bonds were issued under these provisions. BOH Revenue Bonds (net) outstanding at June 30, 2000, were as follows (in thousands):

| Program | Series | Amount Issued | Interest Rate (%) | Principal Payments | | Balance June 30, 2000 |
|--------------------------------------|-----------|------------------|----------------------|--------------------|------------------------|--------------------------|
| | | | | FY 2001 | In Year of Maturity | |
| Single Family I | 1997A | \$ 91,360 | 4.0-6.15 | 885 | \$ 955 (2038) | \$ 83,330 |
| | 1999A | 60,000 | 4.35-5.75 | - | 1,970 (2032) | 59,100 |
| | 2000A | 87,695 | 4.15-6.45 | 145 | 3,150 (2032) | 87,695 |
| Subtotal | | \$ 239,055 | | \$1,030 | | \$230,125 |
| Single Family II | 1983C | \$ 114,998 | 5.75-10.7 | \$ - | \$ 815 (2010) | \$ 7,978 |
| | 1984A | 75,002 | 7.0-11.5 | - | 5 (2010) | 2 |
| | 1985A | 40,000 | 5.5-9.75 | 1,252 | 4,330 (2016) | 6,198 |
| | 1985B | 74,997 | 5.7-9.75 | - | 265 (2011) | 2,470 |
| | 1992RA | 22,520 | 5.65-6.5 | - | 10 (2033) | 22,520 |
| | 1994A | 25,725 | 3.1-6.1 | 1,370 | 420 (2025) | 12,070 |
| | 1994B | 40,815 | 3.8-6.9 | 1,230 | 75 (2025) | 8,820 |
| | 1994C | 20,000 | 4.5-6.8 | 110 | 130 (2027) | 4,265 |
| | 1995A | 33,580 | 4.75-6.55 | 355 | 670(2027) | 19,565 |
| | 1995B | 88,000 | 4.2-6.4 | 690 | 1,460 (2036) | 85,220 |
| | 1996A | 65,000 | 4.7-6.375 | 775 | 1,945 (2029) | 53,475 |
| | 1998A | 51,780 | 4.0-5.45 | 385 | 265 (2031) | 49,815 |
| | 1998B | 65,000 | 4.65-5.35 | 450 | 340 (2031) | 64,335 |
| Subtotal | | \$ 717,417 | | \$6,617 | | \$336,733 |
| Single Family III | 1988B1-B2 | \$ 25,000 | 6.2-8.9 | \$ 105 | \$ 85 (2020) | \$ 2,420 |
| Single Family VII | 1990C1-C2 | 25,000 | 6.45-8.95 | 100 | 300 (2022) | 4,635 |
| Single Family VIII | 1991A1-A2 | 25,000 | 5.2-8.275 | 225 | 540 (2023) | 7,165 |
| Single Family IX | 1991B1-B2 | 25,000 | 5.5-8.4 | 225 | 545 (2023) | 7,710 |
| Single Family X | 1992A1-A2 | 25,000 | 4.45-7.85 | 305 | 685 (2024) | 10,390 |
| Multifamily | 1978A | 4,865 | 6.125 | 60 | 425 (2020) | 2,600 |
| | 1992A | 9,725 | 2.95-6.55 | 200 | 50 (2024) | 8,600 |
| | 1996A | 890 | 4.10-6.15 | 15 | 60 (2027) | 845 |
| | 1998A | 1,625 | 3.5-4.7 | 70 | 40 (2030) | 1,565 |
| | 1999A | 9,860 | 4.95-8.45 | 70 | 425 (2041) | 9,860 |
| Subtotal | | \$ 26,965 | | \$ 415 | | \$ 23,470 |
| Total | | \$1,108,437 | | \$9,022 | | \$622,648 |
| Add: Deferred amount on refunding | | | | | | (20) |
| Add: Unamortized bond premiums | | | | | | (52) |
| Total BOH Bonds Payable (net) | | | | | | \$622,576 |

Debt service requirements (principal & interest) for all BOH programs are as follows (in thousands):

| 2001 | 2002 | 2003 | 2004 | 2005 | 2005+ | Total |
|----------|----------|----------|----------|----------|-------------|-------------|
| \$46,836 | \$45,975 | \$48,188 | \$49,342 | \$47,501 | \$1,101,071 | \$1,338,913 |

G. No-Commitment Debt - Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

(1) Montana Board of Investments (BOI) - The BOI is authorized to issue industrial revenue bonds to finance projects for qualifying borrowers. Assets and revenues of the borrower are pledged to repay the bonds. The industrial revenue bonds issued by BOI do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 2000, outstanding industrial revenue bonds were as follows (in thousands):

| Project | Date of Issue | Amount Issued | Amount Outstanding |
|--------------------------|------------------|------------------|-----------------------|
| Montana Cenex | August 1985 | \$ 3,925 | \$ 3,925 |
| Colstrip | October 1989 | 60,800 | 60,800 |
| Yellowstone Energy (BGI) | July 1993 | 118,345 | 118,045 |
| Total | | \$183,070 | \$182,770 |

(2) **Beginning Farm Loan Program** - The Montana Department of Agriculture is authorized to request issuance of bonds by the Montana Board of Investments to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 2000, was as follows: Jorgensen Project - issued \$81,600; outstanding \$9,835.

(3) **Montana Health Facility Authority (MHFA) - Component Unit** - The MHFA is authorized to issue bonds and notes to finance projects for qualifying health institutions. The following obligations issued by MHFA do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 2000, the MHFA had issued bonds and notes as follows (in thousands):

| Project | Date of Issue | Amount Issued | Amount Outstanding |
|--|----------------|---------------|--------------------|
| West Mont Home Health Services | June 1985 | \$ 440 | \$ 50 |
| MHFA 1985 Pooled Loan Projects | December 1985 | 66,900 | 35,900 |
| Community Provider Pooled Loans | October 1988 | 1,461 | 397 |
| Community Provider Pooled Loan | July 1990 | 5,858 | 3,909 |
| Deaconess Medical Center (Series A) | February 1991 | 18,000 | 18,000 |
| Deaconess Medical Center (Series B) | February 1991 | 18,000 | 18,000 |
| Sisters of Providence | May 1991 | 45,020 | 5,575 |
| Deaconess Medical Center | September 1991 | \$ 32,650 | \$ 26,250 |
| Community Provider Pooled Loans | September 1991 | 3,944 | 2,885 |
| Hospital Pooled Loans | August 1992 | 4,645 | 1,930 |
| Richland Opportunities | January 1993 | 200 | 155 |
| Bozeman Deaconess Foundation | June 1993 | 14,900 | 9,310 |
| Sisters of Charity | January 1994 | 50,915 | 39,705 |
| Deaconess-Billings Clinic | January 1994 | 58,870 | 58,870 |
| Residential Support Services | March 1994 | 50 | 34 |
| St. Johns Retirement Home | October 1994 | 2,000 | 1,895 |
| North Valley Hospital (Series D) (1) | October 1994 | 1,310 | 775 |
| Northern MT (1) | October 1995 | 5,645 | 4,615 |
| Northern MT | November 1995 | 6,090 | 5,500 |
| Toole County Hospital | August 1996 | 1,635 | 1,390 |
| Marcus Daily Memorial Hospital | August 1996 | 1,860 | 1,585 |
| Glendive Community Hospital | August 1996 | 1,590 | 1,355 |
| Mission Ridge | August 1996 | 17,835 | 17,835 |
| Community Medical Center-Missoula | August 1996 | 20,730 | 19,495 |
| Benefis | September 1996 | 16,680 | 11,670 |
| St. Peters Hospital | January 1997 | 19,875 | 16,140 |
| Regional Services (Beartooth Industries) | September 1997 | 260 | 246 |
| Alternatives, Inc. | November 1997 | 2,925 | 2,745 |
| Big Horn | February 1998 | 1,425 | 1,335 |
| Lewis & Clark County (Cooney) | February 1998 | 1,730 | 1,615 |
| North Valley | February 1998 | 1,890 | 1,595 |
| Lewis & Clark County (Clinic) | February 1998 | 860 | 800 |
| Sisters of Charity | March 1998 | 137,800 | 136,550 |
| EMC MHC | May 1998 | 44 | 6 |
| Opportunity Resources, Inc. | June 1998 | 400 | 377 |
| Kalispell Regional Hospital | August 1998 | 19,630 | 18,615 |
| Bozeman Deaconess | August 1998 | 13,500 | 12,630 |
| Missoula Correctional (Prerelease) | October 1998 | 5,580 | 5,580 |
| Great Falls Prerelease | October 1998 | 1,300 | 1,235 |
| Community Medical 99 (Missoula) | January 1999 | 2,300 | 1,802 |
| Providence Svc. (St. Pat & Joe) | July 1999 | 25,025 | 25,025 |
| Sidney Health Center | August 1999 | 11,500 | 11,500 |
| St. Patrick Hospital (GE PP) | December 1999 | 1,714 | 1,661 |
| MLP OO – Marcus Daly | March 2000 | 3,444 | 3,444 |
| Hillcrest Senior Living | March 2000 | 17,170 | 17,170 |
| Missoula Correctional | October 1999 | 31 | 31 |
| BSW, Inc. (99) | July 1999 | 71 | 58 |
| Powell County Hospital | January 2000 | 86 | 81 |
| Mineral Community Health Center | April 2000 | 24 | 24 |
| Residential Support Services | January 2000 | 179 | 178 |
| Opportunity Resources | May 2000 | 493 | 493 |
| Total | | \$666,484 | \$548,021 |

(1) The Board of Investments (BOI) and the MHFA have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund, a Trust Fund Bond Pool participant, or any other legally available funds administered by the BOI.

13. INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous transactions between funds to finance operations, provide services, construct assets, service debt, etc. Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. To the extent that certain transactions between funds are not paid or received as of June 30, 2000, interfund receivables/payables (Due From/To Other Funds) are recorded. The schedule below presents all interfund balances outstanding at June 30, 2000, (in thousands) and interfund activity for the fiscal year then ended:

| Within Primary Government and Component Units | Interfund Loans/Advances | | From Other Funds | To Other Funds | Operating Transfers | | Residual Equity Transfers | |
|--|-----------------------------|---------|------------------------|----------------------|------------------------|-----------|------------------------------|-------|
| | Receivable | Payable | | | In | Out | In | Out |
| General | \$ 70,418 | \$ - | \$ 33,871 | \$ 15,507 | \$107,270 | \$ 15,577 | \$ 228 | \$ - |
| Special Revenue | | | | | | | | |
| State | 25,853 | 8,325 | 15,162 | 15,934 | 44,100 | 27,022 | 7,071* | - |
| Federal | 16 | 82,304 | 2,592 | 11,942 | 1,776 | 22,243 | - | - |
| Debt Service | | | | | | | | |
| Coal Tax Bonds | - | - | - | 7 | 415 | 787 | - | - |
| Long-Range Building Program | - | - | - | 544 | 10,229 | 315 | - | - |
| Water Development | - | - | - | - | 2,432 | 70 | - | - |
| Highway Revenue Bonds | - | - | - | - | 13,536 | - | - | - |
| Health Care Debt Service | - | - | - | - | 1,561 | 85 | - | - |
| Information Technology Bonds | - | - | 100 | - | 5,793 | - | - | - |
| SRS Bldg. | - | - | - | - | - | - | - | 27 |
| Energy Bonds | - | - | - | 194 | - | 194 | - | - |
| Capital Projects | | | | | | | | |
| Long-Range Building Program | - | 66 | 740 | 2,824 | 5,323 | 3,893 | - | - |
| Federal/Private Construction Grts | - | - | - | - | 2,825 | - | - | - |
| Capital Land Grant | - | - | 212 | - | 1,921 | 451 | - | - |
| Information Technology Project | - | 1,600 | 55 | 178 | - | 100 | - | - |
| Enterprise | | | | | | | | |
| Economic Development Bonds | - | - | - | 14 | - | - | - | - |
| Liquor Warehouse | 76 | - | 372 | 8,672 | - | 19,548 | - | - |
| Hail Insurance | - | - | - | 42 | - | 26 | - | - |
| State Lottery | - | - | 2 | 1,578 | - | 5,841 | - | - |
| Prison Ranch | 147 | - | 47 | 63 | - | 18 | - | - |
| Prison Industries | - | 147 | 197 | 58 | - | - | - | - |
| Uninsured Employers | - | - | - | - | - | - | - | 6,774 |
| Montana Career Info. Systems | - | - | - | 1 | - | - | - | - |
| Sec. of State Business Services | 90 | - | 2 | 88 | - | - | - | - |
| Historical Soc. Publications | - | 9 | - | 18 | 54 | - | - | - |
| Surplus Property | - | - | - | 68 | - | - | - | - |
| West Yellowstone Airport | - | - | - | 4 | 14 | - | - | - |
| Local Govt. Audits | - | - | - | 12 | - | - | - | - |
| Def. Comp. Administration | - | - | - | - | - | - | - | 1 |
| Flexible Spending Administration | - | 150 | 147 | - | - | - | - | - |
| Internal Service | | | | | | | | |
| Highway Equipment | - | - | 49 | 210 | - | - | - | - |
| Employees Group Benefits | - | - | 1,950 | 26 | - | - | - | - |
| ISD | 40 | - | 2,728 | 444 | - | 44 | - | - |
| MUS Group Insurance | - | - | 14 | 6 | - | - | - | - |
| Administration Insurance | - | 60 | 53 | 102 | 12 | 316 | - | - |
| FWP Equipment | - | - | 102 | 5 | 255 | - | - | - |
| Motor Pool | - | 616 | 423 | 72 | - | - | - | - |
| Administration Supply | - | - | 170 | 16 | - | - | - | - |
| Publications & Graphics | - | - | 395 | 44 | - | - | - | - |
| Buildings & Grounds | - | - | 82 | 82 | 44 | 411 | - | - |
| Labor Central Services | 97 | - | 744 | 323 | - | - | - | - |

| Within Primary Government and Component Units | Interfund Loans/Advances | | From Other Funds | To Other Funds | Operating Transfers | | Residual Equity Transfers | |
|--|-----------------------------|---------|------------------------|----------------------|------------------------|--------|------------------------------|-----|
| | Receivable | Payable | | | In | Out | In | Out |
| Commerce Central Services | - | - | 147 | 106 | - | - | - | - |
| DEQ Indirect Cost Pool | - | - | 395 | 94 | - | - | - | - |
| Mail & Messenger | - | - | 190 | 17 | - | - | - | - |
| Payroll Processing | - | - | - | 20 | - | - | - | - |
| Warrant Processing | - | 15 | 52 | 28 | - | - | - | - |
| Investment Division | - | - | 26 | 95 | - | - | - | - |
| Aircraft Operation | - | - | 23 | 13 | 355 | - | - | - |
| Justice Legal | - | 140 | 136 | 53 | - | - | - | - |
| OPI Central Services | - | - | 215 | 112 | - | - | - | - |
| Personnel Training | - | 20 | 31 | 8 | - | - | - | - |
| Records Management | - | 90 | 19 | 23 | - | - | - | - |
| FWP Office Supply | - | - | 5 | 1 | - | - | - | - |
| Debt Collection/CSC | - | 1,342 | 28 | 318 | - | 346 | - | - |
| Administration Legal | - | - | - | 3 | - | - | - | - |
| Local Govt. Administration | - | - | 8 | 6 | - | - | - | - |
| Administration DP Unit | - | - | 1 | 4 | - | - | - | - |
| Expendable Trusts | | | | | | | | |
| Unemployment Insurance | - | 20 | 9 | - | - | - | - | - |
| Rural Development | - | - | - | 4 | - | - | - | - |
| Escheated Property | - | - | - | 6 | - | 304 | - | - |
| Historical Society General | 9 | - | - | 1 | - | - | - | - |
| Woodville Highway Replacement | - | 26 | - | - | - | - | - | - |
| Rural Physician | - | - | - | - | - | - | - | 627 |
| Wildlife Mitigation | - | - | - | 24 | 15 | 47 | - | - |
| Research & Commercialization | - | - | - | - | 2,350 | - | - | - |
| Nonexpendable Trusts | | | | | | | | |
| Coal Tax Trust | - | 79 | - | 8,129 | - | 44,631 | - | - |
| Land Grants | - | - | 299 | 7,718 | 14 | 50,911 | - | - |
| Resource Indemnity | - | - | - | 1,230 | - | 7,200 | - | - |
| Parks Trust | - | - | - | 90 | - | 961 | - | - |
| Cultural Trust | - | - | - | 46 | - | 254 | - | - |
| Real Property | - | - | 24 | 54 | - | 509 | - | - |
| Noxious Weed Management | - | - | 19 | 398 | 1,125 | 316 | - | - |
| Thomas Teakle Trust | - | - | - | - | - | 3 | - | - |
| Agency | | | | | | | | |
| Investment Pool | - | - | - | 35 | - | - | - | - |
| Land Grant Interest | - | - | - | 8 | - | - | - | - |
| Performance Deposits | 430 | - | 28 | 903 | - | - | - | - |
| Central Payroll | - | 11 | 19,277 | 2,746 | - | - | - | - |
| Custodial Accounts | - | - | 6 | 45 | - | - | - | - |
| Child Support Collections | - | - | 53 | - | - | - | - | - |
| Unclaimed Property | - | - | 1 | - | - | - | - | - |
| Intergovernmental | - | - | 508 | 8 | - | - | - | - |
| Uncleared Collections | - | - | 35 | 73 | - | - | - | - |
| Debt Collection/CSC | - | - | 8 | 16 | - | - | - | - |
| Stock Estray Fund | - | 6 | - | - | - | - | - | - |
| Component Units | | | | | | | | |
| Enterprise Funds | | | | | | | | |
| Housing Authority | - | - | - | 27 | - | - | - | - |
| Health Facilities Authority | - | - | - | 6 | - | - | - | - |
| State Comp. Insurance - New | - | - | 488 | 405 | - | - | - | - |
| State Comp. Insurance - Old | - | - | - | 498 | - | - | - | - |
| Expendable Trust Fund | | | | | | | | |
| Employees Deferred Comp. | - | 2,150 | 40 | 20 | - | - | 1 | - |
| Pension Trusts | | | | | | | | |
| Teachers Retirement | - | - | 167 | 30 | - | - | - | - |
| PERS | - | - | 390 | 68 | - | - | - | - |
| Municipal Police | - | - | 39 | 37 | - | - | - | - |
| Firefighters Unified | - | - | 22 | 30 | - | - | - | - |
| Sheriffs | - | - | - | 29 | - | - | - | - |
| Highway Patrol | - | - | 7 | 15 | - | - | - | - |
| Judges | - | - | - | 3 | - | - | - | - |
| Game Wardens | - | - | 8 | 19 | - | - | - | - |

| Within Primary Government and Component Units | Interfund Loans/Advances | | From Other Funds | To Other Funds | Operating Transfers | | Residual Equity Transfers | |
|--|-----------------------------|------------------|------------------------|----------------------|------------------------|------------------|------------------------------|----------------|
| | Receivable | Payable | | | In | Out | In | Out |
| Volunteer Firefighters | - | - | - | 28 | - | - | - | - |
| Higher Education | | | | | | | | |
| Current Funds | | | | | | | | |
| General Operating | 7,530 | 1,605 | 1,350 | 13,030 | 1,180 | 1,725 | - | - |
| Designated | 14,676 | 63 | 3,111 | 2,152 | 4,587 | 3,542 | 129 | - |
| Auxiliary | 55 | 297 | 463 | 1,612 | 1,274 | 11,617 | - | - |
| Restricted | 2,200 | 15,196 | 1,092 | 6,517 | 553 | 111 | - | - |
| Fiduciary | | | | | | | | |
| Student Loans | - | - | 121 | 7 | - | 5 | - | - |
| Endowments | - | - | - | - | 39 | 3 | - | - |
| Agency | - | 7,250 | 18,322 | 3,132 | - | - | - | - |
| Plant | | | | | | | | |
| Unexpended | 2,081 | 2,225 | 556 | 1,192 | 2,535 | 7,452 | 349 | - |
| Renewal & Replacement | 64 | 41 | 1,749 | 335 | 7,152 | 2,157 | - | 349 |
| Retirement of Indebtedness | 139 | - | 1,568 | 538 | 23,323 | 13,027 | - | - |
| Investment in Plant | - | 69 | - | - | - | - | - | - |
| Totals | \$123,921 | \$123,921 | \$111,245 | \$111,245 | \$242,062 | \$242,062 | \$7,778 | \$7,778 |

* 4,342 of the Residual Equity Transfer is reflected in Contributed Capital on the Balance Sheet

| Between Primary Govt. and Component Units | Due From Comp. Units | Due To Primary Govt. | Due To Comp. Units | Due From Primary Govt. | Transfer From Comp. Units | Transfer To Primary Govt. | Transfer To Comp. Units | Transfer From Primary Govt. |
|--|-------------------------------|-------------------------------|-----------------------------|---------------------------------|------------------------------------|------------------------------------|----------------------------------|--------------------------------------|
| General | \$ 774 | \$ - | \$11,501 | \$ - | \$ - | \$ - | \$110,608 | \$ - |
| Special Revenue | | | | | | | | |
| State | 928 | - | 1,106 | - | 582 | - | 14,879 | - |
| Federal | 27 | - | 897 | - | - | - | - | - |
| Debt Service | | | | | | | | |
| Long-Range Building | - | - | - | - | 11 | - | - | - |
| Capital Projects | | | | | | | | |
| Long Range Building | 45 | - | 20 | - | - | - | - | - |
| Enterprise | | | | | | | | |
| Liquor Stores | 1 | - | - | - | - | - | - | - |
| State Lottery | - | - | 9 | - | - | - | - | - |
| Prison Industries | 14 | - | - | - | - | - | - | - |
| Flex Spending Admin. | 64 | - | - | - | - | - | - | - |
| Internal Service | | | | | | | | |
| ISD | 220 | - | 19 | - | - | - | - | - |
| MUS Group Insurance | 587 | - | 17 | - | - | - | - | - |
| Motor Pool | 1 | - | - | - | - | - | - | - |
| Administration Supply | 39 | - | - | - | - | - | - | - |
| Publications & Graphics | 9 | - | - | - | - | - | - | - |
| Labor Central Services | 11 | - | - | - | - | - | - | - |
| Commerce Central Services | 11 | - | - | - | - | - | - | - |
| DEQ Indirect Cost Pool | 8 | - | - | - | - | - | - | - |
| Mail & Messenger | 1 | - | - | - | - | - | - | - |
| Warrant Processing | 17 | - | - | - | - | - | - | - |
| Investment Division | 48 | - | 1 | - | - | - | - | - |
| Justice Legal | 3 | - | - | - | - | - | - | - |
| OPI Central Services | 5 | - | - | - | - | - | - | - |
| Records Management | 1 | - | - | - | - | - | - | - |
| Debt Collection/CSC | 3 | - | - | - | - | - | - | - |
| Nonexpendable Trusts | | | | | | | | |
| Coal Tax Trust | 300 | - | - | - | - | - | - | - |
| Land Grants | - | - | 378 | - | - | - | 2,286 | - |
| Agency | | | | | | | | |
| Land Grant Interest | - | - | 22 | - | - | - | - | - |
| Central Payroll | 5 | - | 559 | - | - | - | - | - |
| Child Support Collections | 9 | - | - | - | - | - | - | - |
| Debt Collection/CSC | 1 | - | 1 | - | - | - | - | - |

| Between Primary Govt. and Component Units | Due From Comp. Units | Due To Primary Govt. | Due To Comp. Units | Due From Primary Govt. | Transfer From Comp. Units | Transfer To Primary Govt. | Transfer To Comp. Units | Transfer From Primary Govt. |
|--|-------------------------------|-------------------------------|-----------------------------|---------------------------------|------------------------------------|------------------------------------|----------------------------------|--------------------------------------|
| Component Units | | | | | | | | |
| <u>Enterprise Funds</u> | | | | | | | | |
| Housing Authority | - | 19 | - | - | - | - | - | - |
| Health Facilities Authority | - | 1 | - | - | - | - | - | - |
| State Compensation Ins. - New | - | 798 | - | 3 | - | - | - | - |
| State Compensation Ins. - Old | - | 2 | - | 11 | - | - | - | - |
| Employees Deferred Comp. | - | - | - | 502 | - | - | - | - |
| <u>Pension Trusts</u> | | | | | | | | |
| Teachers Retirement | - | 25 | - | 133 | - | - | - | - |
| PERS | - | 43 | - | 27 | - | - | - | - |
| Municipal Police | - | - | - | 5,909 | - | - | - | - |
| Firefighters Unified | - | - | - | 5,278 | - | - | - | - |
| Highway Patrol | - | - | - | 214 | - | - | - | - |
| <u>Higher Education</u> | | | | | | | | |
| <u>Current Funds</u> | | | | | | | | |
| General Operating | - | 640 | - | 236 | - | 582 | - | 125,417 |
| Designated | - | 442 | - | 136 | - | - | - | - |
| Auxiliary | - | 14 | - | - | - | - | - | 261 |
| Restricted | - | 4 | - | 1,050 | - | - | - | - |
| <u>Fiduciary</u> | | | | | | | | |
| Agency | - | 993 | - | 891 | - | - | - | - |
| <u>Plant</u> | | | | | | | | |
| Unexpended | - | 49 | - | 140 | - | - | - | 995 |
| Renewal and Replacement | - | 102 | - | - | - | - | - | 70 |
| Retirement of Debt | - | - | - | - | - | 11 | - | 1,030 |
| Totals | \$3,132 | \$3,132 | \$14,530 | \$14,530 | \$593 | \$593 | \$127,773 | \$127,773 |

14. FUND DEFICITS

The following funds have a deficit fund balance/retained earnings found on the operating statements for June 30, 2000, (in thousands):

Primary Government

Enterprise Fund

| | |
|---------------------------|----------|
| West Yellowstone Airport | \$ (590) |
| Department of Agriculture | (176) |
| Subsequent Injury | (288) |

Internal Service Fund

| | |
|--|--------------------|
| Bad Debt Division | (1,282) |
| Records Management | (49) |
| Payroll Processing | (41) |
| Administration Insurance | (23,769) |
| Justice Legal | (56) |
| Personnel Training | (11) |
| Administration - Legal | (21) |
| Local Government Admin | (39) |
| Total Fund Deficits - Primary Government | <u>\$ (26,322)</u> |

Component Units

Proprietary Fund Type

| | |
|-----------------------------|-------------|
| State Comp. Ins. (Old Fund) | \$(135,908) |
|-----------------------------|-------------|

Higher Education Funds

| | |
|---------------------------------------|--------------------|
| General Operating Subfund | (23,918) |
| Total Fund Deficits - Component Units | <u>\$(159,826)</u> |

The deficit-retained earnings in the Administration Insurance Fund, Subsequent Injury and the State Compensation Insurance-Old Fund are due to recording the expense for estimated claims including claims incurred but not reported. Refer to Note 9 for further discussion of these funds. The deficit fund balance in the General Operating Subfund is due to the expense associated with the recording of compensated absences.

15. RESERVED FUND BALANCES FOR TRUSTS

The Special Revenue fund balance reserved for trusts is for the Department of Environmental Quality federal Office of Surface Mining Trust Fund of \$6,551,852.

The Nonexpendable Coal Tax Trust Fund reserved for trust principal is comprised of the following: Permanent Coal Tax Trust \$566,748,147; Treasure State Endowment Fund \$67,362,284; and the School Bond Contingency Loan Fund \$2,177,964. All other nonexpendable funds reserved for trust principal total \$518,097,199.

16. SEGMENT INFORMATION

Selected financial information concerning all enterprise operations for the fiscal year ended June 30, 2000, is as follows (in thousands):

| | Economic Development Bonds | Liquor Warehouse | Hail Insurance | State Lottery | Other* Enterprise | Total Enterprise |
|------------------------------|----------------------------------|---------------------|-------------------|------------------|----------------------|---------------------|
| Operating Revenues: | | | | | | |
| Charges for Services | \$ 7 | \$ 42,532 | \$ - | \$29,959 | \$ 9,860 | \$ 82,358 |
| Investment Earnings | 459 | - | 302 | 278 | 124 | 1,163 |
| Financing Income | 3,763 | - | - | - | - | 3,763 |
| Contributions/Premiums | - | - | 2,603 | - | 5,691 | 8,294 |
| Grants/Contracts/Donations | - | - | - | 16 | - | 16 |
| Taxes | - | 11,861 | - | - | - | 11,861 |
| Other Revenues | - | 95 | 86 | 8 | 139 | 328 |
| Operating Expenses: | | | | | | |
| Depreciation | 1 | 65 | - | 594 | 223 | 883 |
| Amortization | - | 1 | - | 164 | 10 | 175 |
| Other | 3,509 | 33,466 | 2,943 | 23,633 | 15,679 | 79,230 |
| Operating Income (Loss) | 719 | 20,956 | 48 | 5,870 | (98) | 27,495 |
| Nonoperating Revenues | - | - | - | (29) | (332) | (361) |
| (Expenses) | - | - | - | (29) | (332) | (361) |
| Oper. Trans. In (Out) | - | (19,548) | (26) | (5,841) | 50 | (25,365) |
| Net Income (Loss) | \$ 719 | \$ 1,408 | \$ 22 | \$ - | \$ (380) | \$ 1,769 |
| Current Assets | \$ 12,885 | \$ 15,947 | \$ 5,023 | \$ 3,672 | \$11,331 | \$ 48,858 |
| Current Liabilities | (52,514) | (13,089) | (1,080) | (5,360) | (1,322) | (73,365) |
| Net Working Capital | \$(39,629) | \$ 2,858 | \$ 3,943 | \$(1,688) | \$10,009 | \$ 24,507 |
| Total Assets | \$ 70,759 | \$ 16,847 | \$ 9,520 | \$ 9,893 | \$17,038 | \$124,057 |
| Total Liabilities | 66,261 | 13,232 | 3,048 | 9,655 | 4,229 | 96,425 |
| Fund Equity | \$ 4,498 | \$ 3,615 | \$ 6,472 | \$ 238 | \$12,809 | \$ 27,632 |
| Long-Term Obligations | \$ 13,747 | \$ 143 | \$ 1,968 | \$ 4,295 | \$ 2,907 | \$ 23,060 |
| Current Capital Contribution | - | - | - | - | 514 | 514 |
| Acquisition of Fixed Assets | \$ 3 | \$ 96 | \$ - | \$ 23 | \$ 91 | \$ 213 |
| Disposal of Fixed Assets | \$ - | \$ 113 | \$ - | \$ 195 | \$ 26 | \$ 334 |

1. The Economic Development Bond Program, administered by the Board of Investments, assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.
2. The Liquor Division of the Department of Revenue administers the State liquor operations (Liquor Warehouse). This fund accounts for liquor licensing activities and the sale and distribution of alcoholic beverages.
3. The Hail Insurance Fund provides benefit payments to producers for crop acreage insured and accounts for premium assessments paid (See Note 9).

4. The State Lottery accounts for the operations of Montana's lottery which began in June 1987. Included in Other Assets, as presented on the Balance Sheet, is \$2,102,185 which is not a current asset.

* Other Enterprise is composed of the following funds (listed by administering agency):

Department of Agriculture
Department of Agriculture

Secretary of State
Business Services

Department of Corrections
Prison Ranch Industries
Womens Prison Industries
Swan River Vocational Training

Department of Commerce
Local Government Audits

Montana Historical Society
Historical Society Publications

Department of Administration
Surplus Property
Flexible Spending
Deferred Compensation Admin.

Department of Transportation
West Yellowstone Airport

Department of Labor and Industry
Montana Career Info. System
Subsequent Injury
Uninsured Employers

Judiciary
Judiciary Law Library

Commissioner of Higher Education
Flexible Spending

17. CONTRIBUTED CAPITAL

During fiscal year 2000, contributed capital changed by the following amounts (in thousands):

| | <u>Primary Government</u> | | <u>Component Units</u> |
|-----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| | <u>Enterprise Fund</u> | <u>Internal Service Fund</u> | <u>Proprietary Fund Type</u> |
| Beginning Balance - July 1, 1999 | \$4,413 | \$7,335 | \$154,468 |
| Additions: | | | |
| Contributed Capital Transfers-in | 651 | 4,930 | - |
| Deletions: | | | |
| Contributed Capital Transfers-out | (137) | (21) | - |
| Ending Balance - June 30, 2000 | \$4,927 | \$12,244 | \$154,468 |

18. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, an agency within the State, is the guarantor of the loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a private non-profit corporation. The Board of Regents and MHESAC have four common board members. Approximately 42.56% of the Regents' outstanding loan volume, or \$285,886,322 is held by MHESAC. During fiscal year 2000 MHESAC undertook a reorganization under which its operating staff and assets were transferred to the Student Assistance Foundation of Montana (SAF) and MHESAC entered into agreements with SAF to provide management and loan servicing to MHESAC. The Board of Regents and SAF have four common board members. Lewis & Clark County owns the building that houses the staff of the Board of Regents and the Office of the Commissioner of Higher Education (OCHE). Upon satisfaction of the financing obligations, SAF has the option to purchase the building. OCHE paid MHESAC & SAF during fiscal year 2000 for its share of various costs such as personnel costs for employees of MHESAC and SAF who performed services that were of direct benefit to the State; equipment leases, computer maintenance costs, utilities, and other shared operating expenses. The total amount of these expenses for fiscal year 2000 amounted to \$390,933. In the future OCHE will make such payments solely to SAF. Prior to the reorganization MHESAC employees were allowed to participate in the University System group insurance plan and MHESAC also paid OCHE reimbursement for certain services. MHESAC ceased participation in the group insurance plan and no longer receives services from OCHE. Presently SAF employees are allowed to participate in the University System group insurance plan and SAF also pays OCHE reimbursement for services such as telephones, postage, and computer services. During fiscal year 2000, MHESAC and SAF paid OCHE a total of \$503,132.

There is a foundation affiliated with each university and college unit which solicits contributions and manages those funds for the benefit of that unit. Although each foundation is a separate legal entity, each unit exercises significant influence over its affiliated foundation. The units generally provide the foundations with office space, some staff and related office expenses and an annually contracted fee. The units paid their foundations approximately \$681,293 in fiscal year 2000. In return the universities received from their foundations approximately \$12,606,834 during fiscal year 2000 for scholarships and academic/institutional support. In addition to support from their affiliated foundations, the University of Montana-Missoula, Montana State University-Billings and Montana State University-Bozeman

received a total of \$1,548,068 from their related athletic associations/booster organizations and affiliated museums and public broadcasting radio stations.

The Department of Administration, Personnel Division, has a staff member that serves as Director of the Montana Association of Health Care Purchasers for no remuneration. The Department pays this Association \$1,000 per year to maintain its membership. This staff member also serves as Director of Community Health Options which is a health purchasing cooperative whose purpose is to consolidate demand for health coverage to encourage more cost-effective health plans, negotiate more favorable rates and create economies of scale by combining administration of health care plans.

19. CONTINGENCIES

A. Litigation - The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

The State of Montana is involved in a lawsuit with the potential for substantial recovery of monetary relief against private parties. State of Montana v. Atlantic Richfield Co., No CV-83-317-H-PHG(D.Mont.), is a case where natural resource damage claims have been asserted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 with respect to environmental injury to Clark Fork River Basin. The State and Atlantic Richfield recently settled a portion of the case for \$215 million, but unresolved is a claim by the State for \$180 million. Atlantic Richfield has filed a counterclaim against the State, the amount of which is unspecified and therefore could reduce or exceed the States remaining claim. The State believes it has meritorious defenses to the counterclaim. Any recovery in this litigation must be used under federal law to further reclamation and recovery efforts or to offset attorney fees and assessment costs incurred by the State.

B. Federal Contingencies:

Federal Financial Assistance - The State receives federal financial assistance for specified purposes which are subject to review and audit in accordance with the Single Audit Act Amendments of 1996. Any disallowances resulting from these audits would become the liability of the State. There are no disallowances reported as of June 30, 2000.

USDA Commodities - In fiscal year 2000, the State distributed \$5,397,031 in commodities. The value of the commodities stored in the State's warehouses was \$2,282,857 at June 30, 2000, for which the State is liable in the event of loss.

C. Miscellaneous Contingencies:

Commitment Fees - The Board of Investments (BOI) and the Montana Health Facility Authority (MHFA) have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 2000 was \$34,936,798.

The BOI has issued INTERCAP bonds backed by commitments from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 2000 was \$49,110,000.

Gain Contingencies - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2000, the following assessments (by fund type) were outstanding (in thousands):

| Taxes | General | Special Revenue | Debt Service | Nonexpendable Trust |
|--------------------|-----------------|----------------------------|-------------------------|--------------------------------|
| Corporation | \$ 7,224 | \$ - | \$ - | \$ - |
| Coal Severance | - | - | - | - |
| Metal Mines | 10 | 7 | - | - |
| Oil & Gas | 8,563 | 514 | - | - |
| Resource Indemnity | - | 463 | - | 393 |
| Totals | \$15,797 | \$ 984 | \$ - | \$ 393 |

Collectibility of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. Interest related to Corporation Tax Assessments is distributed to the General Fund.

Loss Contingencies - Certain corporation(s) have requested refunds that are not reported on the State's financial statements as of June 30, 2000. As of June 30, 2000, \$6,268,810 of General Fund corporation tax refunds was outstanding.

20. SUBSEQUENT EVENTS

On June 29, 2000, Montana Health Facility Authority issued \$2,245,000 of Prerelease Center Revenue Bonds, Series 2000 for the Boyd Andrew Community Services Project. Proceeds were received on or about July 19, 2000.

On June 29, 2000, Board of Investments issued \$30,000,000 of Exempt Facility Revenue Bonds, Series 2000 for the Stillwater Mining Company Project. Proceeds were received on or about July 6, 2000.

On August 11, 2000, Montana Board of Housing issued \$71,940,000 of Single Family Mortgage Bonds, 2000 Series B. Proceeds were received on or about September 14, 2000.

On August 24, 2000, Montana Higher Education Student Assistance Corporation issued \$119,380,000 in student loan revenue bonds. Proceeds were received on or about September 7, 2000.

On August 31, 2000, Board of Investments issued \$15,000,000 of Municipal Finance Consolidation Act Bonds, Series 2000. Proceeds were received on or about September 13, 2000.

On Monday, February 26, 2001, a lawsuit was filed by Montanans for the Responsible Use of the School Trust (MonTRUST) against Barbara Ranf as State Treasurer of the State of Montana and the State Board of Land Commissioners. The lawsuit contends that depositing school trust revenues into the General Fund violates the Constitution and the Enabling Act of Montana because these revenues lose their character as a trust asset.

